



# Melbourne Market Authority Annual Report 2015 – 2016







The Hon. Jaala Pulford,  
MP Minister for Agriculture  
Level 20, 1 Spring Street  
East Melbourne VIC 3002

Dear Minister

The Melbourne Market Authority (MMA) has pleasure in submitting its annual report for the year ending 30 June 2016.

This report covers the period 1 July 2015 to 30 June 2016. The Board is committed to the effective and efficient operation of the market and to ensuring that the MMA remains responsive to its various customer groups and stakeholders.

I commend this report to you and assure you of the MMA's commitment to working with the industry.

Yours Sincerely

A handwritten signature in black ink, appearing to read "Stephen McArthur", written over a light blue horizontal line.

STEPHEN McARTHUR  
Chairperson

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# CHAIRPERSON'S REPORT

THIS HAS BEEN A HISTORIC YEAR FOR THE MELBOURNE MARKET COMMUNITY. WE HAVE SUCCESSFULLY MANAGED RELOCATION OF THE MARKET FROM THE OLD SITE AT FOOTSCRAY ROAD TO OUR NEW, WORLD CLASS PREMISES AT EPPING AND ARE NOW HEAVILY INVOLVED IN ESTABLISHING THE NEW MARKET AS A KEY ECONOMIC DRIVER FOR THE NORTHERN METROPOLITAN REGION.



The move was enormously challenging. Many in the Market community opposed the move when it was first proposed. This opposition was finally resolved after extensive consultation and negotiation between the Market community, the MMA and DEDJTR staff. The logistical challenge of the move was also intimidating – Footscray Road traded until close of business (7:30am) on Friday, 28 August. Epping started trading at 3:30am on Monday, 31 August, 68 hours later. In that time, all of the machinery and equipment (including some 900 forklifts) and stock had to be moved to Epping. In addition, all staff, customers and service personnel had to report to new work areas and operate under completely new conditions.

This was a seemingly impossible task, yet it all worked. When we opened for trade at 3:30am on Monday 31 August, the Market functioned smoothly, the equipment was on site and operating well and, to the surprise of the skeptics, the new Market design functioned well.

The success of the transition was due to a lot of hard work, planning and co-operation by everyone in the Market community. The Board of the MMA congratulates and thanks everyone involved for their contribution.

We have now been operating at the new site for almost a year - sufficient time to assess the actual performance of the new Market facilities against the predictions made during the design and planning stage. I think it is fair to say that the new facilities meet, and in some cases exceed, expectations. It is cleaner, quieter and more logistically efficient than the old site. The separation of the various modes of traffic and the dedicated pedestrian walkways have made it a safer site.

Many Market operators tell me that their trading levels exceed those at Footscray Road, that the turnaround time for trucks entering and unloading or loading and exiting the Market are much better and that the facilities for them and their employees are a great improvement on the old site.

The MMA is keen to expand and broaden opportunities for trade at Epping. We are working with councils,

business groups and training providers to develop a case for the development of nearby land to boost the food and logistics industries in the precinct. We have also hosted visits from international, interstate and local groups to assess opportunities for trade with our Market.

In May this year it was announced that the Melbourne Market, in partnership with the Queen Victoria Market, have won the right to host the 2017 World Congress of Wholesale Markets. The Congress will attract delegates from across the world to Melbourne, so it is a great opportunity to showcase Australian fresh produce on a world stage. The MMA has also been awarded the World Union of Wholesale Markets gold award for reducing food loss and food waste in the Market.

During the year, the MMA sought nominations for membership of the four Market Advisory Committees. A number of new members have been appointed to those committees and some long serving members have retired. I thank the retiring members for their work and congratulate the new members on their appointment. The MMA appreciates the value of the feedback we receive from Advisory Committees and uses the information to improve the operation of the Market.

We have also seen changes at Board level. Andrew McLellan's term on the Board finished in December. I want to thank him for the contribution he made to the financial management of the MMA and to the successful transition to Epping.

In January the Minister announced the appointment of Susan Friend. Susan has excellent experience in financial and risk management areas and is making a significant contribution to the Board. The Minister also announced the re-appointment of Gisela Marven. These are welcome appointments and I congratulate both members.

A handwritten signature in dark ink, appearing to read 'Stephen McArthur', written in a cursive style.

STEPHEN McARTHUR  
Chairperson

# CHIEF EXECUTIVE OFFICER'S REPORT



WHEN LOOKING BACK ON 2015/16, IT'S EASY TO REFLECT ON HOW MUCH HAS CHANGED IN THE LAST TWELVE MONTHS, BUT WHAT I BELIEVE IS THE REAL ACHIEVEMENT IS LOOKING AT HOW MUCH THE INDUSTRY HAS REMAINED THE SAME.

This financial year began during the peak of what will be, for most of the Market community, a once in a life time event. After 46 years at West Melbourne, on 31 August 2015 the Epping Market was in full swing, full of fresh produce and familiar faces trading from our new home at Epping.

The operating environment at Epping is vastly different to West Melbourne. To assist with this transition, practice run days held in July gave the Market community a chance to bring their employees and vehicles to the Market to better understand the layout and how they might conduct business from 31 August. In addition to this, information sessions were held to provide clarity around key areas such as access, parking, operating rules and market vehicles.

As has been proven time and time again, this industry has an incredible ability to adapt to change. As I walked around the Market during the first week of trade, you could be mistaken for thinking we had been operating from this new site for years.

Along with our sellers and buyers, it is great to see all five of our Market cafes made the move to Epping. In addition to the cafes, we've also welcomed a number of new commercial businesses to the site with services ranging from graphic design and apparel to deli and convenience lines. We look forward to working with these new businesses to continuing to expand the offering at the Market.

The MMA continues to work with Plenary Asset Management (PAM) and IKON Waste Management (IKON). Highlights for the year include the roll out of a recycling behaviour change campaign and in June we welcomed the opening of the new Recycling Transfer Centre. The new centre provides increased efficiencies for Market users and the MMA to separate large volumes of waste and ultimately increase recycling at the Market.

One of the key beneficiaries of recycling management at the Market is the food redistribution program. The Market's continued relationship with Foodbank Victoria has resulted in an 11 per cent increase to Foodbank's donations during this financial year

to 666,957kg. In addition to this, Foodbank have increased its number of collection days from three to five days per week. Zoos Victoria have also continued to grow their relationship with the Market community and are estimated to be receiving between four to five tonne of produce per week.

We also welcome a number of new partners to the Market community, including the City of Whittlesea, Northern Health Foundation, Melbourne Polytechnic and Northlink. The MMA are dedicated to continuing to foster relationships with the local community to deliver positive outcomes for the fresh produce industry.

The Flower Market has reported a successful year during peak industry days including Valentine's Day and Mother's Day. The MMA provided a suite of campaign materials for florists to help boost the sale of cut flowers for these annual events. This included promotional material for use in store as well as radio and social media advertising with supporting competitions.

We have celebrated a number of key events throughout 2015/16 including welcomed traditions such as Chinese New Year celebrations. In addition to this, the Market celebrated the move to Epping with a family day which saw over 1,000 Market users and their families in attendance touring the facility and making the most of free children's activities, carnival rides and entertainment.

The Market has achieved so much this year, it's been extremely rewarding for us all to see almost a decade of planning come to life. As we approach our first anniversary operating out of the newest wholesale Market facility globally, we bring with it the same level of enthusiasm and dedication to ensure the Market continues to thrive as the hub of fresh produce and cut flowers in Melbourne.

MARK MASKIELL  
Chief Executive Officer

# MEMBERS OF THE MMA

THE MMA IS ESTABLISHED UNDER *THE MELBOURNE MARKET AUTHORITY ACT 1977* (THE ACT).

THE MMA HAS REPORTED TO THE HON. JAALA PULFORD, MP, MINISTER FOR AGRICULTURE FOR THE REPORTING PERIOD 1 JULY 2015 - 30 JUNE 2016.

The members of the MMA Board are appointed by the Minister.

STEPHEN McARTHUR	Commenced as a Board member on 14 June 2011. He was appointed as Chairperson from 18 January 2014 until 17 January 2017.	Was a Chair of the Epping Market Committee until 1 January 2016.  Continued as a current member of the MMA Remuneration Committee.
GISELA MARVEN	Commenced as a Board member on 14 June 2011. Her appointment was extended on 22 February 2016 until 31 January 2019.	Continued as a current member of the Fruit & Vegetable Growers' Advisory Committee; the MMA Finance, Risk & Audit Committee and the Chair of the MMA Remuneration Committee.
RUSSELL COOPER	Commenced as a Board member on 18 January 2014 and is appointed until 17 January 2017.	Was a member of the MMA Remuneration Committee until 30 April 2016.  Commenced as a current member of the MMA Finance, Risk & Audit Committee from 1 May 2016.  Continued as a current member of the Fruit & Vegetable Wholesalers' Advisory Committee.
WILLIAM LEWIS	Commenced as a Board member on 18 January 2014 and is appointed until 17 January 2017.	Was a member of the Flower Industry Advisory Committee and the MMA Finance, Risk & Audit Committee until 30 April 2016.  Commenced as a current member of the MMA Remuneration Committee and the Fruit and Vegetable Retailers' Advisory Committee from 1 May 2016.
SUSAN FRIEND	Commenced as a Board member on 22 February 2016 and is appointed until 31 January 2019.	Commenced as a current member of the Flower Industry Advisory Committee and the Chair of the MMA Finance, Risk & Audit committee from 1st May 2016.
ANDREW MCLELLAN	Commenced as a Board member on 8 May 2012 and was appointed until 31 December 2015.	Was a member of Fruit & Vegetable Retailers' Advisory Committee and Chair of the MMA Finance, Risk & Audit Committee until 31st December 2015.

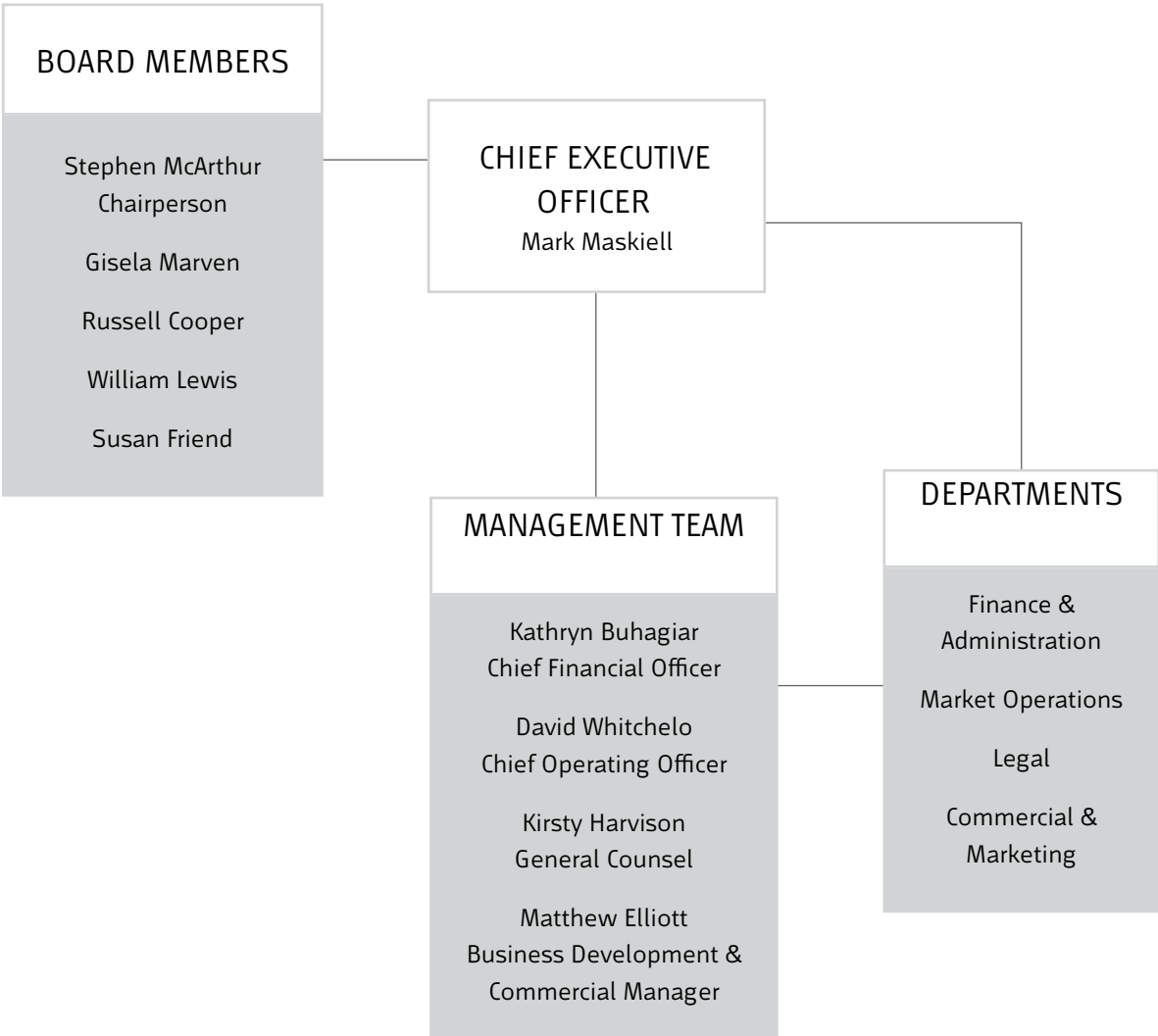
## AUDIT

All members of the MMA's Finance, Audit and Risk Management Committee are regarded as "independent" for the purposes of SD 2.2(f) and (g).

Oakton Services Pty Ltd were contracted to provide internal audit consulting services during 2015-16.

RSM Bird Cameron, as a service provider for the Victorian Auditor General, were contracted to undertake annual financial audit services during 2015-16.

# ORGANISATIONAL CHART



# ADVISORY COMMITTEES

ADVISORY COMMITTEES MEET REGULARLY AND PROVIDE VALUABLE ADVICE TO THE MMA ON MARKET OPERATIONS AND RELATED ISSUES.

The Epping Market Advisory Committee was dissolved by the Melbourne Market Authority on 1st January 2016 pursuant to Section 13D of the *Melbourne Market Authority Act 1977*.

The members of the Advisory Committees are set out below. In addition, associated industry representatives may attend meetings as observers.

1 <sup>ST</sup> JULY 2015 – 1 <sup>ST</sup> JANUARY 2016	1 <sup>ST</sup> MARCH 2016 – 30 <sup>TH</sup> JUNE 2016
<b>FRUIT &amp; VEGETABLE GROWERS' ADVISORY COMMITTEE</b> David Wallace (Chair) Luis Gazzola Vince Doria David Kelly Alec Berias	<b>FRUIT &amp; VEGETABLE GROWERS' ADVISORY COMMITTEE</b> David Wallace (Chair) Alec Berias Vince Doria Anthony Mould Ben Apted
<b>FRUIT &amp; VEGETABLE RETAILERS' ADVISORY COMMITTEE</b> Paul Ahern (Chair) Glynn Harvey Trevor Wilson John Chapman John Paraskos	<b>FRUIT &amp; VEGETABLE RETAILERS' ADVISORY COMMITTEE</b> Paul Ahern (Chair) John Psarakos Leon Mugavin Anthony Mecca Graham Gee
<b>FRUIT &amp; VEGETABLE WHOLESALERS' ADVISORY COMMITTEE</b> Harry Kapis (Chair) Grant Nichol Shane Schnitzler Robin Westmore	<b>FRUIT &amp; VEGETABLE WHOLESALERS' ADVISORY COMMITTEE</b> Harry Kapis (Chair) Grant Nichol Shane Schnitzler Brett Collins Joseph Manariti
<b>FLOWER INDUSTRY ADVISORY COMMITTEE</b> Geoff Maguire (Chair) Greg Duffy John Boon Adrian Parsons	<b>FLOWER INDUSTRY ADVISORY COMMITTEE</b> Greg Duffy (Chair) Cheryl Roehrich Danny Malikovski Fidrim Halit Jashar Rustemi
<b>EPPING MARKET COMMITTEE</b> Stephen McArthur (Chair) David Wallace Harry Kapis Geoff Maguire Paul Ahern	Nil



# OBJECTIVES, FUNCTIONS & VALUES

MELBOURNE MARKET IS ADMINISTERED BY THE MELBOURNE MARKET AUTHORITY (MMA), ESTABLISHED UNDER THE MELBOURNE MARKET ACT 1977.

The MMA's objectives are to:

- provide a commercially viable wholesale facility for the efficient distribution of fresh produce;
- optimise returns on land and assets controlled and managed by the authority; and
- ensure a fair and competitive environment for the wholesale trading of produce.

The functions of the MMA are to:

- control, maintain and manage the Melbourne Market;
- promote the use of the facilities of the Melbourne Market;
- provide advice and information to the Minister on matters relating to the Market and its use by industry and on industry related matters generally;
- do all things necessary or convenient to enable achievement of its objectives; and
- do all things the authority is authorised or required to do under the relevant act or other laws.

## OUR MISSION:

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The Melbourne Market Authority (MMA) is an agency of the State Government charged with operating a modern facility that meets the objectives prescribed in the *Melbourne Market Act 1977*.

The MMA will work with the State Government to develop and implement a master plan for the precinct that leverages the Wholesale Market and the associated infrastructure to maximise the return on investment in the precinct to both the produce industry and the people of Victoria.

## OUR VISION:

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The Melbourne Market will be recognised Australia-wide as an industry leader, committed to innovation and operational excellence. Utilising the wholesale market as the anchor, the Market precinct will become a fresh produce processing, distribution and logistics centre of international significance.

## OUR PRIORITIES:

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To realise our vision and mission, the MMA has a three year rolling business plan detailing strategies and initiatives for implementation.

Key highlights:

- financial - to grow and diversify the revenue base and minimise operating costs without compromising outcomes for tenants via initiatives such as new operating rules and recycling;
- stakeholder management - effective and collaborative relationships with key stakeholders to deliver on opportunities associated with the transition to Epping;
- people and culture - attract and retain appropriately skilled and experienced employees to ensure the delivery of the MMA's objectives in an environment that's both challenging and rewarding; and
- process excellence - continuously improve the utilisation of MMA's Business Management System to maximise efficiency and effectiveness for all Market users.

## OUR COMMITMENT:

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We approach our work and each other with a commitment to:

- engaging regularly with our stakeholders, including all Market participants, the local community and all levels of Government;
- fostering a customer centric culture;
- acting with honesty, integrity and respect for others; and
- facilitating opportunities to grow both our tenants' operations and Victoria's fresh produce economy.

# BUSINESS OVERVIEW AND STATISTICS

BUSINESSES TRADING IN THE MARKET AS AT 30 JUNE 2016			WEST MELBOURNE 30 JUNE 2015	
	Total Businesses	Individual Access Cards June 2016	Total Businesses	Individual Access Cards June 2015
Total fruit & vegetable tenant businesses	304	1,780	540	2,608
Fruit & vegetable retail buyers	1,232	1,816	1,321	2,214
<b>Total fruit &amp; vegetable businesses</b>	<b>1,536</b>	<b>3,596</b>	<b>1,861</b>	<b>4,822</b>
Flower buyers - florists	680	782	841	1,056
Flower growers/wholesalers	70	266	98	301
<b>Total flower businesses</b>	<b>750</b>	<b>1,048</b>	<b>939</b>	<b>1,357</b>
Transport operators & unloaders	285	1,316	123	343
Warehouse tenants (Parts A & B)	137	881	-	-
Other market related businesses	159	645	135	439
<b>Total other businesses</b>	<b>581</b>	<b>2,842</b>	<b>258</b>	<b>782</b>
<b>Total market businesses</b>	<b>2,867</b>	<b>7,486</b>	<b>3,058</b>	<b>6,961</b>

AVERAGE VEHICLE ACCESS PER TRADING DAY			
	2015-16	2014-15	2013-14
Fruit & vegetable market:			
Buyers/retailers	540	566	614
Growers/wholesalers/merchants	955	1,630	1,563
Warehouse tenants (Parts A&B)	546		
<b>Total average entries</b>	<b>2,041</b>	<b>2,196</b>	<b>2,177</b>
Flower market:			
Buyers/florists	78	75	85
Growers/wholesalers	68	54	59
<b>Total average entries</b>	<b>146</b>	<b>129</b>	<b>144</b>
Ancillary businesses:			
Transport operators and unloaders	210	73	98
Market related businesses	301	494	482
<b>Total average entries</b>	<b>511</b>	<b>567</b>	<b>580</b>
<b>Total average daily market access</b>	<b>2,698</b>	<b>2,892</b>	<b>2,901</b>

# BUSINESS OVERVIEW AND STATISTICS

% CHANGE IN REGISTERED USERS						
	% Change	2015-16	% Change	2014-15	% Change	2013-14
Total Registered Individuals	8%	7,486	-2%	6,961	-4%	7,101
Total Registered Businesses	-7%	2,867	-1%	3,077	+2%	3,103

MARKET LAND USE - EPPING			
	No. of Properties/ Trading Modules	Occupancy Rate	Area of Land Used - m2
Warehousing	63	100%	15,000
Stores	142	100%	29,802
Fruit & vegetable stands	330	90%	12,000
<b>Total fruit &amp; vegetable trading</b>	<b>535</b>		<b>56,802</b>
Flower market stands (including cool rooms)	152	90%	6,700
<b>Total flower market trading</b>	<b>152</b>		<b>6,700</b>
Cafés	5	100%	952
LPG Stations	2	100%	1,237
Retail Stores	7	100%	892
Equipment hire & maintenance	4	100%	1,559
Administration Office	5	80%	2,190
Parking (including casual parking)	2,035		65,072
<b>Total leasing/licensed areas</b>	<b>2,745</b>		<b>135,404</b>

\*The above totals do not include 75,000m2 of Part B warehousing which is not controlled by the MMA.

INDUSTRIAL VEHICLES			
	2015-16	2014-15	2013-14
Forklifts	940	860	890
Scooters	72	196	234
Electric vehicles	151	60	52
<b>Total</b>	<b>1,163</b>	<b>1,116</b>	<b>1,176</b>

# THE FRUIT, VEGETABLE & FLOWER MARKET

THE MELBOURNE WHOLESALE FRUIT, VEGETABLE & FLOWER MARKET IS A POINT OF EXCHANGE FOR THE WHOLESALE AND DISTRIBUTION OF FRESH FRUIT, VEGETABLES AND FLOWERS.

The market facility has over 2,800 businesses utilising the site. Fruit, vegetable and flower wholesalers and growers operate from warehouses, stores and trading stands.

Buyers include independent greengrocers, supermarkets, provedores, restaurants, food processors and florists. Many more regional businesses receive deliveries and consignments direct from the market. Produce is sourced primarily from Victorian and national growers with some counter seasonal supply from imports.

A range of associated services are also available on site including cafes, market hire, forklift maintenance and packaging supplies.

## THE YEAR IN REVIEW

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### Orientation for the new Market

During 2014/15 an extensive induction process was implemented for the new Market at Epping. This continued into 2015/16 culminating with two practice days at Epping during the final two months prior to the Market's transition from West Melbourne.

Approximately 3,000 Market users participated in the practice days and the available orientation tools were well utilised. These included the distribution of approximately 2,000 information kits, maps and over 1,000 downloads of the navigation app available on smart devices.

During the first few weeks of trade, a team of customer service staff were also deployed to assist Market users with enquiries regarding navigation and operational matters.

### A change in the opening date

On 28 July 2015, representation was made by Fresh State on behalf of the market tenants in relation to the relocation date of the Market to Epping. While acknowledging that the State and the MMA had done everything to ensure an effective transition to Epping on 3 August 2015, the representation was that a number of tenants (Store and Warehouse) were not ready to move. In addressing their request the MMA's concern was always one of not penalising those tenants that had done the right thing and were ready to move on 3 August 2015. Fresh State representations, as evidenced by their members, were that these tenants were happy to accept a delayed date.

The MMA listened to the community and recommended to the Minister to shift the Market opening date to 31 August 2015.

The request to alter the opening date was accepted by the Minister and was well received by the Market community.

### Preparing the local community for the new Market

A neighbourhood relations program was launched with a letterbox drop to the City of Whittlesea businesses and residents adjacent to the new Market, plus variable message boards on Cooper Street. A dedicated 1300 number was established to take residents' queries and for the City of Whittlesea to aid them in directing residents' enquiries about the move.

The MMA invested \$100,000 in cameras enabling VicRoads to observe traffic movements near the intersection of Cooper Street and the Hume Freeway to enable real time adjustments to traffic signalling should traffic management issues occur.

These measures have been very effective with no complaints from the local community recorded by the MMA or the City of Whittlesea.

### A fresh start at Epping commenced

After 46 years at West Melbourne, following the final day of trade, tenants made the last of their necessary arrangements to enable them to commence trade at the new Market.

On 31 August 2015, the MMA's Chairman's broadcast to the Market community not only the commencement of trade, but a new era, at the modern, new facility.

By all accounts, the transition to Epping was exceptionally smooth and exceeded the expectations of many. Following the commencement of trade, Management's focus promptly shifted to enforcing the required operating environment to ensure behaviours



# THE FRUIT, VEGETABLE & FLOWER MARKET

enabled the design intent to be realised, particularly in relation to safety and efficiency.

Overall there has been a high level of acceptance and compliance by Market users in relation to the new operating environment.

All fruit and vegetable related tenancies and other commercial tenancies are at or close to 100% occupancy. A small number of stands are available in the flower market and 440sqm of office accommodation in the Administration building is also available for lease.

## Truck curfew

In September 2015, a truck curfew on roads surrounding the eastern end of the Western Ring Road were implemented by VicRoads for an initial 12 month trial. The curfew restricts vehicles in excess of 4.5 tonnes gross weight from utilising specific roads between 10pm and 6am. This has caused increased travel times for a number of Market store and stand holders in particular. VicRoads are currently consulting with the Market community regarding the impact of the curfew in determining if it will continue beyond the trial period.

## Celebrating the new Market

A family fun day was held at the new Market on 18 October 2015. This free event targeted Market users, encouraging them to show the new facilities to their families, many of whom had long histories with West Melbourne.

On 21 April 2016, a heritage mural was unveiled inside the Market by the Hon Luke Donnellan, Minister for Roads. The mural assists in creating a sense of place and celebrates the rich history of the wholesale market in Melbourne from the 1800s through to today.

## The Market set to shine globally

In May 2016, the MMA won the right to host the World Union of Wholesale Markets (WUWM) Congress in September 2017. This will put the new Market, with its world class infrastructure on the global agenda.

Rarely held outside Europe, the congress was last held in Australia in 1989 and this is the first time Melbourne will host. This is also a great opportunity for the Australian horticulture sector to not only showcase our produce, but also new technologies and innovations being implemented nationwide.

The congress is held every two years and is open to members and non-members of the WUWM. This is a joint bid by the Melbourne Market and the Queen Victoria Market. The coming together of these two great

markets enables the development and delivery of a program that will attract the interest of wholesale and retail markets from around the world.

## Award winner

The MMA won the WUWM's Gold Award for reducing food loss and food waste in the Market in May 2016. The range of new technologies and innovations in both infrastructure and behaviour change programs ensured Melbourne is a world leader in the field.

This is complimented by food redistribution programs benefitting struggling Victorians via Foodbank Victoria and the animals of the Melbourne Zoo, with over 650 and 36 tonnes of produce respectively donated annually.

In addition to the food redistribution programs, the Market's infrastructure minimises the risk of food loss in the supply chain and boasts increased efficiencies via a central cooling system.

## Upskilling the industry

As part of the MMA's strategy to increase the professionalism of those businesses operating in the Market to ensure the Market remains the epicentre of the fresh produce industry, the MMA has selected Melbourne Polytechnic as the Market's training partner.

Training services will encompass manual courses such as forklift driver training right through to greengrocer accreditation in the short to medium term. Over time this is anticipated to evolve into more advanced food processing and manufacturing qualifications.

## MARKET OPERATIONS

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### Transitioning the Market

During the first quarter of 2015, the MMA continued to integrate aspects of the new operating environment at the West Melbourne site in preparation for the transition to Epping with the aim of having the Market community operationally ready for the move ahead.

The primary objectives included awareness and understanding of changes to safety, environmental awareness, logistics, recycling and, internally within the MMA, providing improved Customer Service to the Market community.

The MMA in conjunction with Plenary Asset Management (PAM), appointed a new, dedicated team of Market Relations Officers (MROs), including security services. One of the initial tasks undertaken by the

# THE FRUIT, VEGETABLE & FLOWER MARKET

team was reviewing parking and access to the Market and implementing an effective method of monitoring to eradicate inconsistencies and provide adequate parking for all sectors of the Market.

To aid the MROs in monitoring parking, permit stickers were introduced as a trial at West Melbourne. The permits improved MROs visibility of parking, increased efficiencies in monitoring bays and had a positive impact on the availability of parking for retailers.

## Continuing to grow

In June 2016, the Market's state of the art Recycling Transfer Centre was completed. The new centre boasts increased efficiencies in waste management and provides the Market with a cost effective solution for managing waste including free disposal of clean, separated recycling as well as competitive rates for organic and general waste.

As we approach the one year anniversary of the Epping Market the MMA have continued to evaluate and review its operations and infrastructure. Through this, as well as consultation with the Market community, opportunities for improvement have been identified. These include changes to traffic management, to cater for an increased number of electric vehicles and forklifts, reviews and reallocation of parking and increased services and amenities.

# MARKETING

THROUGHOUT THE YEAR THE MMA WORKED TO EXTEND ITS PROMOTIONAL EXPOSURE TO SUPPORT INDUSTRY DEVELOPMENT, AND PROVIDE INFORMATION TO CONSUMERS.

The MMA actively promotes the benefits of consuming fresh produce to all sectors of the community with a key initiative being the MarketFresh Schools Program. This is a state-wide program presenting healthy eating with fresh produce to primary and secondary school students.

These marketing programs and other promotional initiatives are supported by wholesalers, growers and industry groups who all contribute to the success of the campaigns.

## MARKETING EVENTS

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- Chinese New Year
- Launch of the heritage mural
- Melbourne Market Annual Golf Day

## MARKETING PROGRAMS

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### MarketFresh Schools Program (MSP)

The MSP is managed by the MMA with support from stakeholders and the fresh produce industry. The program is structured to educate school children about the importance of consuming fresh fruit and vegetables daily as a component for their general wellbeing.

This year 13,266 Victorian students across 98 schools experienced the MSP. MMA also supplied each student with a 54 page activity booklet assisting teachers to incorporate healthy eating into the curriculum. Teachers have enthusiastically endorsed the booklet's contents.

Anecdotally, on return visits teachers comment how eating habits have improved and the interest students have in the program.

## FLOWER PROMOTIONS

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### Valentine's Day and Mother's Day

During the year, MMA fostered the collaboration between Flowers Victoria and a number of industry members to join forces to invest in a marketing campaign that aimed to get flowers top of mind and positioned as the gift of choice for gift giving occasions.

### Spring Racing Carnival

MMA supplied in-store promotional packs including a race day flower guide, window stickers, handy hints for florists with ideas and activities to make the most of the campaign aligned to Melbourne's metropolitan spring racing calendar. There were also free floral crown workshops to assist and up skill florists to prepare for the upcoming carnival.

## FRUIT AND VEGETABLE PROMOTIONS

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### MarketFresh.com.au

The MMA's MarketFresh website is a valuable resource and is used by the fresh produce industry, the education sector, food service, florists and consumers seeking information on varieties and seasonality of fresh produce and flowers.

MMA manages the site's developments.

# MARKETING

## SPONSORSHIPS

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MMA sponsored multiple events to support the fresh produce industry. These included:

- Victorian Farmers Federation
- Victorian Farmers Federation and Royal Agricultural Society Victoria – “heart of Victoria”
- AusVeg National Conference
- Central Markets Association of Australia - Fresh Connections
- Northern Health Foundation Fun Run

## RESTAURANT AND FOOD SERVICE LIAISON

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MMA continues to support and promote this important sector of the food service industry.

## FOODBANK VICTORIA

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FoodBank Victoria is an independent charity which sources and distributes food to over 500 not-for-profit organisations across the state. MMA actively supports FoodBank Victoria with their operation in the market.

During 2015-16 Foodbank Victoria received over 666,957 kilograms, the equivalent of 1.33 million meals, of donated fresh produce from wholesale traders operating within the market.

## VISITORS

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Over 1,200 people visited the market during 2015-16.

The market continues to attract industry representatives from international trade delegations visiting Australia, with internationals from Europe and Asia.

The market facilitates an understanding of the Australian supply chain and also acts as a single destination showcase for types and varieties of Australian fresh produce available.



# ENVIRONMENT

The MMA's office based environment performance for 2015-16 is summarised in the table below:

Indicator	2015-16	2014-15
Total units of copy paper used by the MMA (A4 equivalent reams)	561	625
Total electricity used on site (kW)	9,395,356	4,399,463
Total gas used on site (MJ)	21,197	123,247
Total units of metered water consumed on site (kl)	31,924	23,049
Total energy consumption of MMA operational vehicles (GJ)	76	85
Total distance travelled by aeroplane of MMA representatives (airline km)	86,014	43,162
Total landfill (tonnes) from the site	3,880	2,475
Total recyclables (tonnes) from the site	2,733	6,877
Percentage diversion rate from landfill	41.3%	73.5%

In summary:

- An increase in electricity usage can be attributed to site transition between West Melbourne and Epping - we continue to use power at the old site for safety lighting in addition to using power across a much larger site at the new Epping location.
- Gas consumption has decreased by 83% as this form of energy is no longer utilised at the new Epping site.
- Energy consumption in MMA operational vehicles has decreased with the disposal of pooled cars no longer required.
- The increase in distance travelled by aeroplane is due to: international travel during the period to Europe to present the successful bid to host the 2017 World Union of Wholesale Markets conference.
- Landfill has increased by 56.73% and recyclable tonnages have decreased by 60.26% resulting in a 32.2% decrease in the diversion rate, this is due to extensive cleaning and waste removal after tenants vacated the old site.

## MMA's office based Greenhouse Gas Emissions

The greenhouse gas emissions footprint disclosed in the table below has been calculated from the data in the table below:

Indicator	2015-16	2014-15
Total greenhouse gas emissions associated with energy use (tCO <sub>2</sub> e)	11,622	5,946
Total greenhouse gas emissions associated with vehicle fleet (tCO <sub>2</sub> e)	5.32	5.95
Total greenhouse gas emissions associated with air travel (tCO <sub>2</sub> e)	20.23	9.49
Total greenhouse gas emissions associated with waste production (tCO <sub>2</sub> e)	2,058	2,228
<b>Total</b>	<b>13,705</b>	<b>8,180</b>

In summary, Greenhouse gases have increased by 67.4% on the previous year.

# GOVERNANCE

## RISK MANAGEMENT

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### Risk Management Framework

I, Stephen McArthur, certify that the MMA has complied with the Ministerial Standing Direction 4.5.5 - Risk Management Framework and Processes. The MMA's Finance, Audit & Risk Management (Audit) Committee verifies this.



Stephen McArthur  
Chairperson

## WORKPLACE RELATIONS

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The MMA Enterprise Bargaining Agreement 2013-2015 (EBA) governs the workplace arrangements for employees at the MMA.

## WORKPLACE HEALTH & SAFETY PERFORMANCE

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MMA has identified a safe and healthy workplace as a corporate value within its Corporate & Strategic Plan 2015-2018. MMA strives to provide a safe and healthy workplace for those who work within the market and maintain OH&S standards with ongoing improvements.

MMA's facility manager, Plenary Asset Management, achieved AS/NZS 4801:2001 Occupational Health and Safety Management System certification for the new Epping Market. This certification assists MMA to establish and maintain a management system to improve the workplace health and safety of its employees as well as those who work within or visit the market.

MMA's Workplace Health and Safety performance is also monitored and continuously improved through the implementation of MMA's ISO 9001 certified Quality Management System.

MMA's Quality Management System helps ensure Workplace Health and Safety is incorporated into the overall management activities and systems.

There were no reported hazards/incidents or lost time injuries to MMA employees during the reporting period. As a result, there have been no claim costs incurred.

## GOVERNMENT ADVERTISING EXPENDITURE

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MMA's expenditure in the 2015-16 reporting period on government campaign expenditure did not exceed \$100,000.

## VICTORIAN INDUSTRY PARTICIPATION POLICY

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There were no tenders processed during the year subject to the *Victorian Industry Participation Policy Act 2003*.

# ADMINISTRATION AND MANAGEMENT

## STAFFING

	Ongoing Employees				Fixed Term & Casual
	Employees (headcount)	Full-time (headcount)	Part-time (headcount)	FTE	FTE
June 2016	17	15	2	16	2
June 2015	19	18	1	18	1

	June 2016			June 2015		
	Ongoing		Fixed Term & Casual	Ongoing		Fixed Term & Casual
	Employees	FTE	FTE	Employees (headcount)	FTE	FTE
Gender:						
Male	8	8	0	10	9	1
Female	9	8	2	9	8	1
Age:						
Under 25	1	1	-	1	-	1
25-34	6	6	-	7	6	1
35-44	5	4	1	5	5	-
45-54	4	4	1	4	4	-
55-64	1	1	-	2	2	-
Over 64	-	-	-	-	-	-
Total	17	16	2	19	17	2

- All figures reflect employment levels during the last full pay period of June of each year.
- There was one staff vacancy as at the end of June which will be replaced in July 2016.
- 'Ongoing employees' means people engaged on an open-ended contract of employment and executives engaged on a standard executive contract who were active in the last full pay period of June.
- 'FTE' means full-time staff equivalent.
- Excluded are those persons on leave without pay or absent on secondment, external contractors/consultants, temporary staff employed by employment agencies, and people who are not employees but appointees to a statutory office, as defined in the *Public Administration Act 2004*.
- Employee classifications are as per those main classifications prescribed in the current MMA EBA.

# ADMINISTRATION AND MANAGEMENT

## TOTAL STAFF, EXECUTIVE OFFICERS AND BOARD AT THE REPORTING DATE

	2016	2015
Payroll employees	No.	No.
Staff	12	14
Executive Officers*	4	4
Accountable Officer	1	1
Board Members	5	5
<b>Total</b>	<b>22</b>	<b>24</b>
Discount rate	2.31%	3.57%
Settlement term (years)	10	10
Settlement term (years) pro rata	7	7

\* Note: All executive officers are classified as “ongoing” - that is, their functions or outputs are expected to be ongoing at the end of the reporting period.

## BREAKDOWN OF EXECUTIVE OFFICERS INTO GENDER

	Male		Female		
Class	No.	Var	No.	Var	Vacancies
MMA	2	-2	2	2	0
<b>Total</b>	<b>2</b>	<b>-2</b>	<b>2</b>	<b>2</b>	<b>0</b>

## RECONCILIATION OF EXECUTIVE NUMBERS

	2016	2015
	No.	No.
Executives with remuneration over \$100,000	4	6
Add Vacancies	0	1
Executives with total remuneration below \$100,000	1	2
Chief Executive Officer	1	1
less Separations	-1	-4
<b>Total Executive numbers at 30 June 2016</b>	<b>5</b>	<b>6</b>

Note: There were 5 “ongoing” executive officers notified to VPSC in the latest GSERP annual survey.

## PROTECTED DISCLOSURE ACT 2012

The *Protected Disclosure Act 2012* (PD Act) enables people to make disclosures about improper conduct by public officers and public bodies. The Act aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body. MMA is a “public body” for the purposes of the PD Act and the MMA’s Board members and staff are “public officers” under the Act.

Improper or corrupt conduct involves substantial:

- mismanagement of public resources; or
- risk to public health and safety or the environment; or
- corruption.



# ADMINISTRATION AND MANAGEMENT

The conduct must be criminal in nature or a matter for which an officer could be dismissed.

A person can make a protected disclosure about MMA or its Board members, officers or employees by contacting IBAC on the contact details provided below.

Independent Broad-Based Anti-Corruption Commission (IBAC) Victoria

Address: Level 1, North Tower, 459 Collins Street, Melbourne, VIC 3001, Phone: 1300 735 135

Mail: IBAC, GPO Box 24234, Melbourne, VIC 3000, Internet: [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

Email: See the website above for the secure email disclosure process, which also provides for anonymous disclosures.

Please note that MMA is not able to receive protected disclosures as it is not a “public service body” as defined by the *Public Administration Act*.

## PRIVACY POLICY

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The MMA is bound by the National Privacy Principles, which are contained within the *Privacy and Data Protection Act 2014*. The MMA respects and values customers’ privacy and takes all reasonable steps to ensure that any personal information collected is kept securely to prevent misuse, loss, unauthorised access or change. The MMA has developed a privacy policy statement and has posted this policy on the MMA website as well as making it available to all new customers at the time of registration. There were no complaints or breaches in regard to privacy issues during the year.

# ADMINISTRATION AND MANAGEMENT

## GLOSSARY

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### AAS

Australian Accounting Standards (and other mandatory professional reporting requirements) issued by the Australian Accounting Standards Board (AASB).

### Accountable Officer

Has the same meaning as in sections 3 and 42(2)(b) of the FMA. In respect of a public body, accountable officer means the chief executive officer, by whatever name called.

### DEDJTR

Department of Economic Development, Jobs, Transport and Resources.

### DTF

Department of Treasury and Finance.

### EOFY

End of financial year - 30 June.

### FMA

*Financial Management Act 1994.*

### FRD

A financial reporting direction issued by the Department of Treasury and Finance, on behalf of the Minister for Finance under the FMA.

### GSERP

Government Sector Executive Remuneration Panel.

### Model Report

Means the Model report for Victorian Government Departments issued by the DTF. Note that the SDs refer to the Model report as the model financial report.

### MFS

Model Financial Statements.

### PAA

*Public Administration Act 2004.*

### PAM

Plenary Asset Management - MMA's facility manager.

### Public body or body

Public body has the same meaning as it does in section 3 of the FMA - except when used in the context of the *Protected Disclosures Act 2012*, in which case it has the same meaning as it does in the PD Act.

### Registered users

Businesses and persons authorised and approved by the MMA to conduct business on market land.

### Reporting period

1 July 2015 - 30 June 2016.

### Standing Directions (SD)

Standing Directions of the Minister for Finance under the Financial Management Act 1994.

### Visitors

Persons other than registered users of the market.

### VPSC

Victorian Public Sector Commission.

# FINANCE REPORT

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## FIVE YEAR FINANCIAL SUMMARY

	2016	2015	2014	2013	2012
	\$000	\$000	\$000	\$000	\$000
Income from government	-	-	-	-	38
Total income from transactions	23,849	25,068	24,204	24,720	24,349
Total expenses from transactions	37,412	17,436	20,706	16,894	16,322
Net result from transactions	(13,563)	7,632	3,498	7,826	8,027
Net result for the period	106,829	7,618	3,519	7,828	7,937
Net cash flow from operating activities	(429)	9,544	8,814	11,782	13,015
Total assets	615,342	508,331	120,589	114,273	157,691
Total liabilities	32,503	32,321	6,839	4,041	4,287

## FINANCIAL PERFORMANCE

### Income

There were some notable changes in revenue for the year compared with last year, with the key changes highlighted below:

Total Revenue \$23,848,881  
-\$1,219,066 (-4.9%)

The following items contributed to the movement in revenue:-

Interest Revenue \$711,828  
-\$310,629 (-30.4%)

This decrease has resulted from reduced investment funds utilised in capital purchases, and is higher than budget.

Rental Income \$22,372,940  
-\$1,504,556 (-6.3%)

This decrease has resulted from the changed trading environment at the new Market at Epping, with a decrease in warehousing and fewer F&V trading stands, which is consistent with budget.

### Expenditure

There were some significant changes in expenses compared with last year, with the key changes highlighted below:

Total Expenses \$37,412,572  
+\$19,976,368 (+114.6%)

Supplies and Services \$19,441,500  
+\$6,858,458 (+54.5%)

This increase has resulted from the relocation to the new larger facility, make good and holding costs of the West Melbourne Market, which is consistent with budget. Market electricity costs far exceed prior years, which is recovered via revenue from the embedded electricity network and tenant glycol consumption billings.

Depreciation & Amortisation \$14,055,251  
+\$12,388,331 (+743.2%)

This increase has resulted from depreciation of the new Market at Epping transferred to the MMA in use from 31 August 2015 and accelerated depreciation charges of the West Melbourne market buildings due to obsolescence.

Interest Expense \$985,064  
+\$941,436 (+2,157.8%)

This increase has resulted from the introduction of a Government loan not previously held as part of the funding for the new Market at Epping. This expense is in line with budget.

# FINANCE REPORT

## Consulting Fees

Details of consultancies over \$10,000:

Consultant	Purpose	Start Date	End Date	Total Approved (excl. GST)	Expenditure 2015/2016 (excl. GST)	Estimated Future Expenditure (excl. GST)
Root Projects	Project Management	Jul-15	Dec-15	114,614	114,614	-
Plenary Asset Management	IT Consulting / Recruitment Services	Jul-15	Jun-16	Ongoing	61,430	15,000
Dept Environment Land Water & Planning	Property Valuations	Jul-15	Jun-16	50,500	50,500	-
Flagstaff Consulting	Parking Allocation Consulting	Oct-15	Oct-15	24,782	24,782	-
The Sharp & Carter Unit Trust	Recruitment Services	Oct-15	Jan-16	17,625	17,625	8,500
CBRE	Asset Services	Jul-15	Jun-16	17,500	17,500	-
Cardno Victoria	Traffic Management	Jul-15	Jun-16	16,860	16,860	Ongoing
M3Property Strategists	Property Valuations	Feb-16	May-16	15,650	15,650	-
Workshop Architecture	Engineering Services	Jul-15	Jul-15	24,600	24,600	-
Sladen Legal	Legal Advisory Services	Dec-15	Ongoing	Ongoing	11,523	Ongoing

## Details of consultancies under \$10,000:

There were 23 consultancies of less than \$10,000 each, which totalled \$74,652.

## INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) EXPENDITURE

For the 2015-2016 reporting period, the Melbourne Market Authority had a total ICT expenditure of \$882,770 with the details shown below.

Business As Usual (BAU) ICT expenditure  (Total) \$000	Non-Business As Usual (non-BAU) ICT expenditure  (Total = Operational expenditure and Capital Expenditure)	Non-BAU ICT expenditure - Operational Expenditure (OPEX)	Non-BAU ICT expenditure - Capital Expenditure (CAPEX)
365	517	120	398

“ICT expenditure” refers to Melbourne Market Authority’s costs in providing business-enabling ICT services. It comprises Business As Usual (BAU) ICT expenditure and Non-Business As Usual (Non-BAU) ICT expenditure.

“Non-BAU expenditure” relates to extending or enhancing Melbourne Market Authority’s current ICT capabilities.

“BAU ICT expenditure” is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.



# FINANCE REPORT

## FINANCIAL POSITION

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### Assets

There were some significant changes in assets compared with last year, with the key changes highlighted below:

Cash and deposits \$5,904,651

-\$32,303,419 (-84.6%)

The decrease is due to capital expenditure throughout the year and a cash loss from operating activities together with a transfer of \$25,000,000 cash funds into a TCV fixed rate term deposit.

Investments and other financial assets \$25,000,000

+\$25,000,000 (+100%)

This increase is due to transferring available cash into a fixed rate term deposit with TCV.

Receivables \$2,535,862

+\$2,204,486 (+665.3%)

This increase is the result of receivables for new income streams not held in the prior financial year. These include LPG, Embedded electricity network and glycol which are all collected in arrears.

Property, Plant and Equipment \$581,487,316

+\$112,289,460 (+23.9%)

This increase has resulted from the revaluation of the Epping land and buildings conducted by Valuer-General Victoria as at 30 June 2016, in addition to capital building works at the new Epping facility including a Waste Transfer Station, LPG Station, Bird Proofing, Market Hire buildings and other works.

### Liabilities

Payables \$8,221,524

+\$1,284,599 (+18.5%)

This increase is due to the timing of payments to the Facility Manager for operational pass through subcontractor costs.

Borrowings \$24,000,000

-\$1,000,000 (-4%)

This decrease represent repayments of principle of TCV loans made throughout the year.

# FINANCE REPORT

## CASH FLOWS

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Net cash flows from operating activities -\$429,465  
-\$9,973,241 (-104.5%)

Payments for property plant & equipment \$5,971,552  
-\$4,770,085 (-397.3%)

Capital purchases included building works at the new Epping facility including a Waste Transfer Station, LPG Station, Bird Proofing, Market Hire buildings and other works.

Repayment of borrowings \$1,000,000  
+\$6,000,000 (+85.7%)

Current year repayment of borrowings was in line with loan terms, whereas the prior period included additional lump sum repayment of the 11am account.

## BUDGET PERFORMANCE

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The MMA achieved a 14% better than budget revenue result, and a -1% worse than budget expenditure result. This equated to a 19% better than budget overall result.

Budget was based on a 3 August 2016 commencement date at Epping, which was moved to 31 August 2016 this resulted in lower depreciation expense of the Epping asset. Transfer of the West Melbourne site was budgeted to be transferred to VicTrack as at 31 December 2015. MMA continue to hold this site which has resulted in extended holding costs including land tax, repairs and maintenance, security and utilities. Congestion levy liability on the West Melbourne site was not determined at the time of finalising budgets, driving a variance to budget in 2016. Delays in the construction of the Recycling Transfer Centre resulted in additional contingency waste managements costs.

## CORPORATE PERFORMANCE

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The MMA uses a set of Key Performance Indicators (KPIs) as a means of measuring corporate performance across a range of financial and non-financial performance areas including:

- performance against operating revenue and expenditure budgets;
- property utilisation rates;
- employee accrued annual leave and turnover;
- lost time injuries and serious incidents; and
- environmental performance improvements.

Performance against each of these areas is measured and an aggregate index of corporate performance derived. For the full year 2015-16, the MMA's KPI performance index was 107.8%, which means that in the aggregate MMA exceeded financial and non-financial performance targets by 7.8%.

## DISCLOSURE REQUIREMENTS

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The information relating to issues set out in FRD22G of the Directions of the Minister for Finance is available on request.

Members of the Board of the MMA and senior management are required to declare any pecuniary interests that may be relevant to their duties and responsibilities.

The MMA had, where applicable, complied with the *Building Act 1993*.

The MMA complies with the *Freedom of Information Act 1982* and its General Counsel acts as its Freedom of Information Officer. No Freedom of Information requests were received during the year.

The MMA applies the principle of promotion on the basis of merit and equity in the treatment of all staff. Matters relating to the government National Competition Policy are addressed systematically.

The MMA will provide other information as required on request. MMA investments are held by Treasury Corporation of Victoria (TCV).

There were no tenders processed during the year subject to the *Victorian Industry Participation Policy Act 2003*.

The MMA has taken all practical measures to comply with its obligations under the *Carers Recognition Act 2012*.

## ACKNOWLEDGEMENTS

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The MMA gratefully acknowledges the support of the Department of Economic Development, Jobs, Transport and Recourses (DEDJTR) and other Government Agencies.

Advisory and Consultative Committees established by the MMA have continued to provide valuable support and useful advice.

The MMA would also like to record its thanks for the dedicated support it has received from its employees to achieve its objectives and better serve the people of Victoria.

Finally, the MMA thanks the market community and horticultural industry for the support and assistance which it has received over the past 12 months.

Yours Sincerely,  
Board Members of the MMA



S J Mc Arthur, Chairperson



G Marven, Member



R Cooper, Member



W Lewis, Member



S Friend, Member

## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Melbourne Market Authority

#### *The Financial Report*

I have audited the accompanying financial report for the year ended 30 June 2016 of the Melbourne Market Authority which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the chairperson's, chief executive officer's and chief financial officer's declaration.

#### *The Board Members' Responsibility for the Financial Report*

The Board Members of the Melbourne Market Authority are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

As required by the *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. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about 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 Board Members, 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.

## Independent Auditor's Report (continued)

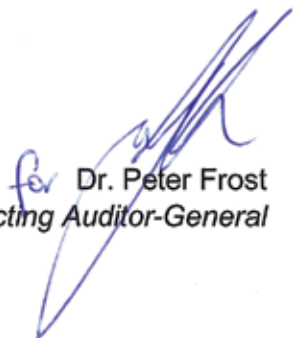
### *Independence*

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, I and my staff and delegates have complied with the applicable independence requirements of the Australian Auditing Standards and relevant ethical pronouncements.

### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Melbourne Market Authority as at 30 June 2016 and its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE  
8 September 2016



Dr. Peter Frost  
Acting Auditor-General

# MELBOURNE MARKET AUTHORITY

Comprehensive Operating Statement for the financial year ended 30 June 2016

		2016	2015
		\$	\$
<b>CONTINUING OPERATIONS</b>	<b>Notes</b>		
<b>INCOME FROM TRANSACTIONS</b>			
Rental income	2(a)	22,803,519	23,877,497
Interest revenue	2(b)	711,828	1,022,457
Other income	2(c)	333,534	167,994
<b>Total income from transactions</b>		<b>23,848,881</b>	<b>25,067,948</b>
<b>EXPENSES FROM TRANSACTIONS</b>			
Employee expenses	3(a)	(2,930,757)	(2,942,104)
Depreciation and amortisation	3(b)	(14,055,251)	(1,666,919)
Interest expense	3(c)	(985,064)	(43,628)
Supplies and services	3(d)	(19,441,500)	(12,583,042)
Other operating expenses	3(e)	-	(200,511)
<b>Total expenses from transactions</b>		<b>(37,412,572)</b>	<b>(17,436,204)</b>
<b>Net result from transactions (net operating balance)</b>		<b>(13,563,691)</b>	<b>7,631,744</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non-financial assets	4(a)	24,569	(14,152)
Other gains/(loss) from other economic flows	4(b)	554	720
<b>Total other economic flows include in net result</b>		<b>25,123</b>	<b>(13,432)</b>
<b>Net result</b>		<b>(13,538,568)</b>	<b>7,618,312</b>
<b>Other economic flows - other comprehensive income</b>			
<b>Items that will not be reclassified to net result</b>			
Change in physical asset revaluation surplus	18	120,367,734	-
<b>Total other economic flows - other comprehensive income</b>		<b>120,367,734</b>	<b>-</b>
<b>Comprehensive result</b>		<b>106,829,166</b>	<b>7,618,312</b>

The above Comprehensive Operating Statement should be read in conjunction with accompanying notes.



# MELBOURNE MARKET AUTHORITY

Balance Sheet as at 30 June 2016

		2016	2015
	Notes	\$	\$
<b>ASSETS</b>			
<b>FINANCIAL ASSETS</b>			
Cash and deposits	16(a)	5,904,651	38,208,071
Receivables	5	2,535,862	331,376
Investments and other financial assets	6	25,000,000	-
<b>Total Financial Assets</b>		<b>33,440,513</b>	<b>38,539,447</b>
<b>NON-FINANCIAL ASSETS</b>			
Property, plant and equipment	7	581,487,316	469,197,856
Intangible assets	8	152,146	230,598
Prepayments		262,377	363,509
<b>Total Non-Financial Assets</b>		<b>581,901,839</b>	<b>469,791,963</b>
<b>Total Assets</b>		<b>615,342,352</b>	<b>508,331,410</b>
<b>LIABILITIES</b>			
Payables	9	8,221,524	6,936,925
Borrowings	10	24,000,000	25,000,000
Provisions	11	281,006	383,829
<b>Total Liabilities</b>		<b>32,502,530</b>	<b>32,320,754</b>
<b>Net Assets</b>		<b>582,839,822</b>	<b>476,010,656</b>
<b>EQUITY</b>			
Accumulated surplus		53,727,551	67,266,119
Physical asset revaluation surplus	18	171,305,534	50,937,800
Contributed capital*		357,806,737	357,806,737
<b>Net Worth</b>		<b>582,839,822</b>	<b>476,010,656</b>
Commitments for expenditure	14		
Contingent assets and contingent liabilities	15		

\* Note (2015): The MMA received a transfer of land (\$21,677,259) and Buildings & Plant (\$364,964,271) from the Department of Economic Development, Jobs, Transport and Resources via an Allocation Statement in 2015.

The above Balance Sheet should be read in conjunction with accompanying notes.

# MELBOURNE MARKET AUTHORITY

Statement of Changes in Equity for the financial year ended 30 June 2016

		Physical asset revaluation surplus	Accumulated surplus	Contributed capital	Total
	Notes	\$	\$	\$	\$
Balance at 30 June 2014	18	50,937,800	59,647,807	3,165,207	113,750,814
Net result for the year			7,618,312		7,618,312
Capital appropriations**				354,641,530	354,641,530
Balance at 30 June 2015	18	50,937,800	67,266,119	357,806,737	476,010,656
Net Result for the year			(13,538,568)		(13,538,568)
Other comprehensive income for the year*		120,367,734			120,367,734
Balance at 30 June 2016	18	171,305,534	53,727,551	357,806,737	582,839,822

\*Note (2016): Valuer-General Victoria performed revaluation of land and buildings of the Epping and West Melbourne sites as at 30 June 2016, which are presented at Fair Value, and resulted in a revaluation increment of \$120,367,734.

\*\*Note (2015): The MMA received a transfer of land (\$21,677,259) and Buildings & Plant (\$364,964,271) from the Department of Economic Development, Jobs, Transport and Resources via an Allocation Statement. The MMA also incurred loans (\$32,000,000) from the Treasury Corporation of Victoria as part of the funding for the new market at Epping.

The above Statement of Changes in Equity should be read in conjunction with accompanying notes.

# MELBOURNE MARKET AUTHORITY

Cash Flow Statement for the financial year ended 30 June 2016

		2016	2015
	Notes	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		22,884,133	22,875,167
Receipts from government		163,624	13,539
Other receipts		169,912	154,355
Interest received		711,828	1,209,842
<b>Total Receipts</b>		<b>23,929,497</b>	<b>24,252,903</b>
Payments to suppliers and employees		(24,026,295)	(14,709,126)
Interest paid		(332,667)	-
<b>Total Payments</b>		<b>(24,358,962)</b>	<b>(14,709,126)</b>
<b>Net cash flows from/(used in) operating Activities</b>	<b>17(b)</b>	<b>(429,465)</b>	<b>9,543,777</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from maturity of investments		-	29,000,000
Payments for investments		(25,000,000)	-
Purchases of non-financial assets		(5,971,552)	(1,200,747)
Proceeds from sale of property, plant and equipment		97,597	73,932
<b>Net cash flows from investing activities</b>		<b>(30,873,955)</b>	<b>27,873,185</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		(1,000,000)	(7,000,000)
<b>Net cash flows from financial activities</b>		<b>(1,000,000)</b>	<b>(7,000,000)</b>
<b>Net increase/(decrease) in cash held</b>		<b>(32,303,420)</b>	<b>30,416,962</b>
Cash at the beginning of the financial year		38,208,071	7,791,109
<b>Cash at the end of the financial year</b>	<b>17(a)</b>	<b>5,904,651</b>	<b>38,208,071</b>

The above Cash Flow Statement should be read in conjunction with accompanying notes.

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2016

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## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These annual financial statements represent the audited general purpose financial statements for the MMA for the period ending 30 June 2016. The purpose of the report is to provide users with information about the MMA's stewardship of resources entrusted to it.

### (A) STATEMENT OF COMPLIANCE

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of the AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

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.

To gain a better understanding of the terminology used in the report, a glossary of terms and style conventions can be found in Note 24.

These annual financial statements were authorised for issue by the Chairperson, Chief Executive Officer and Chief Financial Officer on 7 September 2016.

### (B) BASIS OF ACCOUNTING PREPARATION AND MEASUREMENT

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, plant and equipment, (refer to note 1(ji));
- superannuation expense (refer to note 1(fii)); and
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(kiii)).

These financial statements are presented in Australian dollars, and prepared in accordance with the historical cost convention except for:

- non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value.

Consistent with AASB 13 *Fair Value Measurement*, the MMA determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment and financial instruments and for non recurring fair value measurements such as non financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- level 2 — Valuation techniques for which the lowest level input that is significant to the fairvalue measurement is directly or indirectly observable; and
- level 3 — Valuation techniques for which the lowest level input that is significant to the fairvalue measurement is unobservable.

For the purpose of fair value disclosures, the MMA has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, the MMA determines whether transfers have occurred between levels in the hierarchy by re assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer General Victoria (VGV) is the MMA's independent valuation agency.

The MMA, in conjunction with VGV, monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

## (C) REPORTING ENTITY

The financial statements cover the MMA as an individual reporting entity.

The MMA is a state government authority, established pursuant to the *Melbourne Market Authority Act (1977)*. Its principal address is Melbourne Market Authority, 55 Produce Drive, Epping VIC 3076.

The financial statements include all the controlled activities of the MMA.

A description of the nature of the MMA's operations and its principal activities is included in the report of operations on page 8, which does not form part of these financial statements.

### Objectives and funding

A description of the objectives, functions and values of the MMA is included in the report of operations on page 8, which does not form part of these financial statements.

The MMA is a self-funded operation, which provides wholesale market facilities charged on a fee for usage basis. The fees charged for these services are determined by prevailing market forces.

## (D) SCOPE AND PRESENTATION OF FINANCIAL STATEMENTS

### (i) Comprehensive operating statement

The comprehensive operating statement comprises three components, being 'net result' from transactions' (or termed as 'net operating balance'), 'other economic flows included in net result', as well as 'other economic flows – other comprehensive income'. The sum of the former two, represents the net result.

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



‘Other economic flows’ are changes arising from market remeasurements. They include:

- gains and losses from disposals of non-financial assets;
- revaluations and impairments of non-financial physical and intangible assets; and
- fair value changes of financial instruments.

This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

## (ii) 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 are disclosed in the notes, where relevant. In general, non-current assets or liabilities expected to be recovered or settled more than 12 months after the reporting period, except for the provisions of employee benefits, which are classified as current liabilities if the MMA does not have the unconditional right to defer the settlement of the liabilities within the 12 months after the end of the reporting period.

## (iii) 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*.

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings on the balance sheet.

## (iv) Statement of changes in equity

The statement of changes in equity presents reconciliations of non owner and owner changes in equity from 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 related to ‘Transactions with owner in its capacity as owner’.

## (v) Rounding

Amounts in the financial statements have been rounded to the nearest \$1, unless otherwise stated. Figures in the financial statements may not equate due to rounding.

## (E) 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 at fair value.

### (i) Rental income

Rental income from trading stands, wholesale stores and warehouses, commercial rents and parking is recognised as it accrues over the period that the properties are leased to third parties.

### (ii) Interest income

Interest income includes interest received on bank term deposits and other investments. Interest income is recognised using the effective interest method which allocates the interest over the relevant period.

### (iii) Other income

Other income includes marketing income, LPG sales and electricity cost recoveries.

## (F) EXPENSES FROM TRANSACTIONS

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

### (i) Employee expenses

Refer to the section in Note 1(Kiii) regarding employee benefits.

These expenses include all forms of consideration (other than superannuation which is accounted for separately) including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

### (ii) Superannuation

The amount recognised in the comprehensive operating statement is the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

The Department of Treasury and Finance (DTF) in their Annual Financial Statements, disclose on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans as an administered liability. Refer to DTF's Annual Financial Statements for more detailed disclosures in relation to these plans.

### (iii) Depreciation and amortisation

All buildings, plant and equipment and other non financial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are depreciated. Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

The useful life of buildings represents the depreciation of the Epping site from occupation date of 31 August 2015 up to 30 June 2016. The West Melbourne site has been written down to \$0 with a useful life of 0 years given the cessation of market operations at the site.

The following are typical estimated useful lives for the different asset classes for current and prior years:

Asset Class	Useful Life
Buildings - Epping	25 years
Buildings - West Melbourne	0 years
Computer Equipment	3 years
Motor Vehicles	6 years
Market Equipment	6 years
Office Furniture	6 years

On the other hand, the consumption of intangible non-produced assets with finite useful lives is not classified as a transaction, but as amortisation. Consequently, the amortisation is included as another economic flow in the net result.

All intangible assets with indefinite useful lives are not depreciated or amortised, but are tested annually for impairment by comparing its recoverable amount with its carrying amount:

(a) annually: and

(b) whenever there is an indication that the intangible asset may be impaired (refer Note G).

### (iv) Supplies and services

Supplies and services expenses are recognised as an expense in the reporting period in which they are incurred and generally represent the day to day running costs incurred in normal operations.

(v) Interest expense

Interest expense represents cost incurred in connection with borrowings. It includes interest on advances, loans and overdrafts. Interest expense is recognised in the period in which it is incurred. Refer to Note 24 for an explanation of interest expense items.

(vi) Other operating expenses

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

(G) OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT

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

(i) 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:

(a) *revaluation gains/(losses) of non-current physical assets*

Refer to Note 1(iii) Revaluations of non-financial physical assets.

(b) *net gain/(loss) on disposal of non financial assets*

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

(c) *impairment of non financial assets*

Goodwill and intangible assets with indefinite lives (and intangible assets not yet available for use) are tested annually for impairment (as described below) and whenever there is an indication that the asset may be impaired.

All other assets are assessed annually for indications of impairment, except for:

- assets arising from construction contracts

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds the recoverable amount, the difference is written off as an other economic flow, except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a reversal in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. The impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of total loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Refer to Note 1(j) in relation to the recognition and measurement of non-financial assets.

(ii) Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows include the gains or losses from the revaluation of the present value of the long service leave liability due to changes in the bond interest rates.

## (H) FINANCIAL INSTRUMENTS

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the MMA's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract. However, guarantees issued by the Treasurer on behalf of the MMA are financial instruments because, although authorised under statute, the terms and conditions for each financial guarantee may vary and are subject to an agreement.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

### Categories of non derivative financial instruments

#### (i) Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits (refer to Note 1(ii)), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

#### (ii) Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method (refer to Note 24).

Financial instrument liabilities measured at amortised cost include all of MMAs contractual payables, deposits held and advances received, and interest bearing arrangements other than those designated at fair value through profit or loss.

## (I) FINANCIAL ASSETS

#### (i) Cash and deposits

Cash and deposits recognised on the balance sheet comprise cash on hand and cash at bank, deposits at call and those highly liquid investments (with an original maturity of three months or less), which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

#### (ii) Receivables

Receivables consist of:

- contractual receivables, such as debtors in relation to goods and services, loans to third parties and accrued investment income; and
- statutory receivables, such as amounts owing from the Victorian government and GST input tax credits recoverable.

Contractual receivables are classified as financial instruments and categorised as loans and receivables (refer to Note 1(Hi) Financial Instruments for recognition and measurement). Statutory receivables, are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables are subject to impairment testing as described below. A provision for doubtful receivables is recognised when there is objective evidence that the debts may not be collected, and bad debts are written off when identified.

For the measurement principle of receivables, refer to Note 1(Hi).

### (iii) Investments and other financial assets

Investments are classified in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables
- held-to-maturity; 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.

Any dividend or interest earned on the financial asset is recognised in the consolidated comprehensive operating statement as a transaction.

### (iv) Impairment of financial assets

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

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as other economic flows in the net result.

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

## (I) NON-FINANCIAL ASSETS

### (i) Property, plant and equipment

All non-financial physical assets, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount. More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are disclosed in Note 7 Property, plant and equipment.

The fair value of property, plant, equipment and vehicles, is normally determined by reference to the asset's depreciated replacement cost.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project, and an appropriate proportion of variable and fixed overheads.

For the accounting policy on impairment of non-financial physical assets, refer to impairment of non-financial assets under Note 1(Gi).

More details about the valuation techniques and inputs used in determining the fair value of non-physical assets are discussed in Note 7 Property, plant and equipment.

## (ii) Revaluations of non current physical assets

Non-financial physical assets are measured at fair value on a cyclical basis, in accordance with the Financial Reporting Directions (FRDs) issued by the Minister for Finance. A full revaluation normally occurs every five years, based upon the asset's government purpose classification but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are generally used to conduct these scheduled revaluations. Certain infrastructure assets are revalued using specialised advisors. Any interim revaluations are determined in accordance with the requirements of the FRDs.

Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Net revaluation increases (where the carrying amount of a class of assets is increased as a result of a revaluation) are recognised in 'other economic flows – other movements in equity', and accumulated in equity under the asset revaluation surplus. However, the net revaluation increase is recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same class of property, plant and equipment previously recognised as an expense (other economic flows) in the net result.

Net revaluation decreases are recognised in 'other economic flows – other comprehensive income' to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment. Otherwise, the net revaluation decreases are recognised immediately as other economic flows in the net result. The net revaluation decrease recognised in 'other economic flows – other comprehensive income' reduces the amount accumulated in equity under the asset revaluation surplus.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class but are not offset in respect of assets in different classes. Any asset revaluation surplus is not normally transferred to accumulated funds on derecognition of the relevant asset.

## (iii) Intangible assets

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated depreciation/amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the MMA.

When the recognition criteria in AASB 138 *Intangible Assets* are met, internally generated intangible assets are recognised and measured at cost less accumulated depreciation/amortisation and impairment.

Refer to Note 1(Fiii) Depreciation and amortisation, Note 1(Gc) Impairment of non financial assets.

## (iv) Other non-financial assets

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.



## (K) LIABILITIES

### (i) Payables

Payables consist of:

- contractual payables, such as accounts payable. Accounts payable represent liabilities for goods and services provided to the MMA prior to the end of the financial year that are unpaid, and arise when the MMA becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

### (ii) Borrowings

All interest bearing liabilities are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. The measurement basis subsequent to initial recognition depends on whether the MMA has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through profit or loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

The above classification depends on the nature and purpose of the interest bearing liabilities. The MMA determines the classification of its interest bearing liabilities at initial recognition.

### (iii) Provisions

Provisions are recognised when the MMA has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using discount rate that reflects the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

### (iv) 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.

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave, are all recognised in the provision for employee benefits as 'current liabilities', because the MMA does not have an unconditional right to defer settlements of these liabilities.

Dependent upon the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and sick leave are measured at:

- nominal value - if the MMA expects to wholly settle within 12 months: or
- present value - if the MMA does not expect to wholly settle within 12 months.

*(b) Long service leave*

The components of this current LSL Liability are measured at:

- nominal value - if the MMA expects to wholly settle with 12 months; and
- present value - if the MMA does not expect to wholly settle with 12 months.

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(Gii)).

*(c) Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. The MMA recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

*(d) Employee benefits on-costs*

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

**(L) OPERATING LEASES**

*(i) The MMA as lessor*

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

*(ii) The MMA as lessee*

Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

**(M) EQUITY**

**Contribution by Owners**

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

**(N) COMMITMENTS**

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 14) at their nominal value and inclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

**(O) 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 (refer to Note 15) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

**(P) ACCOUNTING FOR THE GOODS AND SERVICES TAX (GST)**

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

Commitments and contingent assets and liabilities are also stated inclusive of GST (refer to Note 1(N) and Note 1(O)).

**(Q) EVENTS AFTER THE REPORTING PERIOD**

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the MMA and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting period and before the date the financial statements are authorised for issue, where those events provide information about conditions which existed in the reporting period. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate conditions which arose after the end of the reporting period that are considered to be of material interest (refer to Note 23).

**(R) AUSTRALIAN ACCOUNTING STANDARDS (AAS) ISSUED THAT ARE NOT YET EFFECTIVE**

Certain new AAS have been published that are not mandatory for the 30 June 2016 reporting period. DTF assesses the impact of all these new standards and advises the MMA of their applicability and early adoption where applicable.

Please refer to Page 45 for a detailed list of AAS's issued but not yet effective for the 2015-16 reporting period.

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2016 (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on MMA financial statements
AASB 9 <i>Financial instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred	1 Jan 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss.  While the preliminary assessment has not identified any material AASB 9, it will continue to be monitored and assessed.
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to the customer.  Note that amending standard AASB 2015-8 – <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1 Jan 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and correct modifications.  A potential impact will be the upfront recognition of revenue from licenses that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening returned earnings if there are no former performance obligations outstanding.

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2016 (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on MMA financial statements
<p>AASB 2014-4 <i>Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation</i></p> <p>[AASB 116 &amp; AASB 138]</p>	<p>Amends AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> to:</p> <p>establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset;</p> <p>clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset; and</p> <p>clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in the intangible asset. The presumption, however, can be rebutted in certain limited circumstances.</p>	1 Jan 2016	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation
<p>AASB 2016-4 <i>Amendments to Australian Accounting Standards - Recoverable Amount of Non- Cash-Generating Specialised Assets of Not-for-Profit Entities</i></p>	<p>Amends AASB 136 <i>Impairment of Assets</i> to: remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.</p>	1 Jan 2017	The assessment has indicated that there is minimal impact. Given the specialised nature and restrictions of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 <i>Fair Value Measurement</i> is the same as the depreciated replacement cost concept under AASB 136.

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2016 (continued)

## NOTE 2 INCOME FROM TRANSACTIONS

	2016	2015
<b>(a) RENTAL INCOME</b>	\$	\$
Rents received for:		
- Fruit and vegetable trading stands	3,071,293	4,891,720
- Wholesale stores and warehouses	9,532,522	11,311,099
- Flower trading stands	1,334,912	1,581,265
- Other commercial rents	5,861,672	2,572,124
- Parking	3,003,120	3,521,289
<b>Total rental income</b>	<b>22,803,519</b>	<b>23,877,497</b>
<b>(b) INTEREST REVENUE</b>		
Interest on bank deposits	711,828	1,022,457
<b>Total interest revenue</b>	<b>711,828</b>	<b>1,022,457</b>
<b>(c) OTHER INCOME</b>		
Marketing revenues	130,386	45,905
Other	203,148	122,090
<b>Total other income</b>	<b>333,534</b>	<b>167,994</b>

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2016 (continued)

## NOTE 3 EXPENSES FROM TRANSACTIONS

	2016	2015
<b>(a) EMPLOYEE EXPENSES</b>	\$	\$
Post employment benefits		
Defined contribution superannuation expense	234,488	189,292
Defined benefit superannuation expense	11,967	11,398
Salaries, wages , annual leave and long service leave*	2,684,302	2,741,415
<b>Total employee expenses</b>	<b>2,930,757</b>	<b>2,942,104</b>
<b>(b) DEPRECIATION AND AMORTISATION</b>		
Buildings	13,624,361	1,237,788
Plant, equipment and vehicles	280,161	250,032
Intangible produced assets	150,729	179,100
<b>Total depreciation and amortisation</b>	<b>14,055,251</b>	<b>1,666,919</b>
<b>(c) INTEREST EXPENSE</b>		
Interest on Government Loans	985,064	43,628
<b>Total interest expense</b>	<b>985,064</b>	<b>43,628</b>
<b>(d) SUPPLIES AND SERVICES</b>		
Market operations	5,765,977	4,356,891
Repairs and maintenance	2,243,542	724,857
Fuels, rates and taxes	5,502,203	2,251,939
Marketing and media	390,167	374,921
Audit and insurance	791,874	774,305
Professional services	3,555,102	3,499,713
Other	1,192,635	600,415
<b>Total supplies and services</b>	<b>19,441,500</b>	<b>12,583,042</b>
<b>(e) OTHER OPERATING EXPENSES</b>		
Fair value of assets and services for nominal consideration		
Warehouse rental discount**	-	200,511
<b>Total fair value assets and services for nominal consideration</b>	<b>-</b>	<b>200,511</b>

Note 2016:

\* includes voluntary departure packages paid of \$94,656.

\*\* In 2015 MMA provided four months of warehouse rental discounts as part of a Deed of Settlement resulting from Supreme Court proceedings brought about by tenants.



# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2016 (continued)

## NOTE 4 OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT

	2016	2015
NET GAIN/(LOSS) ON NON-FINANCIAL ASSETS	\$	\$
Net gain/(loss) on disposal of property plant and equipment	24,569	(14,156)
<b>Total net gain/(loss) on non-financial assets</b>	<b>24,569</b>	<b>(14,156)</b>
OTHER GAINS/(LOSS) FROM OTHER ECONOMIC FLOWS		
Net gain/(loss) arising from revaluation of leave liability*	554	720
<b>Total net gain/(loss) from other economic flows</b>	<b>554</b>	<b>720</b>

\* Note: The revaluation gain is due to changes in bond rates

## NOTE 5 RECEIVABLES

	2016	2015
CURRENT RECEIVABLES	\$	\$
Contractual		
Rental Income	1,864,614	196,947
Accrued investment income	63,280	75,473
<b>Total current receivables</b>	<b>1,927,894</b>	<b>272,420</b>
Statutory		
GST receivable	298,234	58,956
<b>Total current receivables</b>	<b>2,226,128</b>	<b>331,376</b>
NON-CURRENT RECEIVABLES		
Contractual		
Rental Income	309,734	-
<b>Total non-current receivables</b>	<b>309,734</b>	<b>-</b>
<b>Total receivables</b>	<b>2,535,862</b>	<b>331,376</b>

### Ageing analysis of contractual receivables

Please refer to Note 16(b) for the maturity analysis of contractual receivables.

### Nature and extent of risk arising from contractual receivables

Please refer to Note 16(b) for the nature and extent of risks arising from contractual receivables.

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2016 (continued)

## NOTE 6 INVESTMENTS AND OTHER FINANCIAL ASSETS

	2016	2015
CURRENT INVESTMENTS AND OTHER FINANCIAL ASSETS	\$	\$
Current investments and other financial assets		
Term deposits:		
Australian dollar term deposits > 3 months	25,000,000	-
<b>Total investments</b>	<b>25,000,000</b>	<b>-</b>

## NOTE 7 PROPERTY, PLANT AND EQUIPMENT

### GROSS CARRYING AMOUNT AND ACCUMULATED DEPRECIATION

#### PURPOSE GROUP – PUBLIC SAFETY AND ENVIRONMENT

	Gross Carrying Amount		Accumulated Depreciation		Net Carrying Amount	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
<b>Land</b>						
at independent valuation 30/06/16 - West Melbourne	120,000,000	81,000,000	-	-	120,000,000	81,000,000
at independent valuation 30/6/16 - Epping	55,000,000	21,677,259	-	-	55,000,000	21,677,259
<b>Buildings</b>						
at fair value - West Melbourne	54,455,048	11,739,091	54,455,048	10,891,000	-	848,090
at Independent valuation 30/6/16 Epping	405,370,000	364,964,271	-	-	405,370,000	364,964,271
Capital Works in Progress	298,707	175,261	-	-	298,707	175,261
<b>Plant, equipment and vehicles</b>						
Market equipment	584,650	1,163,030	313,181	951,444	271,469	211,586
Motor vehicles	358,805	452,382	206,972	259,188	151,833	193,193
Computer equipment	681,896	1,239,958	322,307	1,127,983	359,590	111,976
Office, plant and equipment	60,229	311,439	24,512	295,220	35,717	16,219
Plant, equipment and vehicles at fair value	1,685,580	3,166,809	866,971	2,633,835	818,609	532,974
<b>Total amount</b>	<b>636,809,335</b>	<b>482,722,691</b>	<b>55,322,019</b>	<b>13,524,835</b>	<b>581,487,316</b>	<b>469,197,856</b>

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2016 (continued)

## NOTE 7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED) FREEHOLD LAND AND BUILDINGS CARRIED AT FAIR VALUE

An independent valuation of MMA's land and buildings was performed by the VGV at 30 June 2016 to determine the fair value. The valuation, which conforms to AAS, was determined by reference to the amounts for which assets could be exchanged between knowledgeable and willing parties in an arm's length transaction. Fair value of land is determined by direct reference to recent market transactions on arm's length terms for land of comparable size, zoning and location to MMA. Fair value of buildings is determined as the depreciated replacement cost. The valuation was based on independent assessments. As a result, an Epping land revaluation increment of \$33.3M and a building increment of \$48.04M was recorded as at 30 June 2016. A West Melbourne land revaluation increment of \$39M was recorded as at 30 June 2016

### MOVEMENTS IN CARRYING AMOUNTS

	Freehold land	Buildings	Market Equip.	Motor Vehicles	Computer Equip.	Office Plant & Equip.	Works In Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
YEAR 2016:								
Carrying amount at start of year	102,677,259	365,812,362	211,586	193,193	111,976	16,219	175,261	469,197,856
Additions	-	5,137,009	146,794	76,327	384,735	26,824	123,446	5,895,135
Disposals	-	-	-	(66,074)	(2,810)	-	-	(68,884)
Revaluation of PPE**	72,322,741	48,044,993	-	-	-	-	-	120,367,734
Depreciation expense	-	(13,624,364)	(86,911)	(51,613)	(134,311)	(7,326)	-	(13,904,525)
Carrying amount at end of year	175,000,000	405,370,000	271,469	151,833	359,590	35,717	298,707	581,487,316
YEAR 2015:								
Carrying amount at start of year	81,000,000	1,479,002	232,076	255,654	131,591	9,205	-	83,107,528
Fair value of asset received for nominal consideration*	21,677,259	364,964,271						386,641,530
Additions	-	606,876	60,000	76,593	95,571	10,554	175,261	1,024,855
Disposals	-	-	-	(88,238)	-	-	-	(88,238)
Depreciation expense	-	(1,237,787)	(80,490)	(50,816)	(115,187)	(3,539)	-	(1,487,819)
Carrying amount at end of year	102,677,259	365,812,362	211,586	193,193	111,976	16,219	175,261	469,197,856

\*Note (2015): MMA received a transfer of land (\$21,677,259) and buildings (\$364,964,271) from the Department of Economic Development, Jobs, Transport and Resources via an Allocation Statement.

\*\*Note (2016): VGV conducted revaluation of the two sites. Epping Land and Buildings and West Melbourne Land are recorded at Fair Value as at 30 June 2016 as stated above. It was determined that given West Melbourne will be transferred to VicTrack under FRD119A within 12 months buildings with a useful life of 0 years, revaluation of buildings to Fair Value was not required.

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2016 (continued)

## NOTE 7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### FAIR VALUE MEASURE HIERARCHY FOR ASSETS

	Carrying amounts as at 30 June 2016	Fair value measurement at end of reporting period using :		
		Level 1 <sup>(i)</sup>	Level 2 <sup>(i)</sup>	Level 3 <sup>(i)</sup>
	\$	\$	\$	\$
Land at fair value – Specialised land West Melbourne	120,000,000	-	120,000,000*	-
Land at fair value – Specialised land Epping	55,000,000	-	55,000,000*	-
<b>Total of Land at fair value</b>	<b>175,000,000</b>	<b>-</b>	<b>175,000,000*</b>	<b>-</b>
Buildings at fair value – Specialised buildings	405,370,000	-	-	405,370,000
<b>Total of buildings at fair value</b>	<b>405,370,000</b>	<b>-</b>	<b>-</b>	<b>405,370,000</b>
Plant, equipment and vehicles at fair value				
Vehicles	151,833	-	-	151,833
Plant and equipment	666,776	-	-	666,776
<b>Total of plant, equipment and vehicles at fair value</b>	<b>818,609</b>	<b>-</b>	<b>-</b>	<b>818,609</b>

	Carry amounts as at 30 June 2015	Fair value measurement at end of reporting period using :		
		Level 1 <sup>(i)</sup>	Level 2 <sup>(i)</sup>	Level 3 <sup>(i)</sup>
	\$	\$	\$	\$
Land at fair value – Specialised land West Melbourne	81,000,000	-	-	81,000,000
Land at fair value – Specialised land Epping	21,677,259	-	-	21,677,259
<b>Total of Land at fair value</b>	<b>102,677,259</b>	<b>-</b>	<b>-</b>	<b>102,677,259</b>
Buildings at fair value – Specialised buildings	365,812,362	-	-	365,812,362
<b>Total of buildings at fair value</b>	<b>365,812,362</b>	<b>-</b>	<b>-</b>	<b>365,812,362</b>
Plant, equipment and vehicles at fair value				
Vehicles (ii)	193,193	-	-	193,193
Plant and equipment	339,781	-	-	339,781
<b>Total of plant, equipment and vehicles at fair value</b>	<b>532,974</b>	<b>-</b>	<b>-</b>	<b>532,974</b>

(i) Classified in accordance with the fair value hierarchy, see note 1(B)

(ii) Vehicles are categorised to level 3 assets as the depreciated replacement cost is used in estimating the fair value.

\* There has been a transfer of land between levels 3 and 2 during the period in line with the revaluation of the Epping and West Melbourne sites by VGV, which was valued using level 2 inputs only under the market approach.

## SPECIALISED LAND AND SPECIALISED BUILDINGS

An independent valuation of the MMA's land and buildings was performed by the Valuer General Victoria. The valuation was performed at 30 June 2016. Epping land was valued using the market based direct comparison approach whereby the property was compared to recent sales making adjustments for points of difference to establish the Fair Value. As a result, a land revaluation increment of \$33.3M.

West Melbourne land was valued using the market based direct comparison approach. It was determined that given the property is surplus and is capable of being sold on the open market no Community Service Obligation allowance was required, as a result the West Melbourne land was transferred from Level 3 to Level 2 Fair Value, and a revaluation increment of \$39M.

Epping buildings were valued using the cost approach or depreciated replacement cost method which factors best available evidence from recognised building cost indicators, Quantity Surveyors and examples of current costs, assessment of useful life/remaining useful life and an assessment of depreciation rate. These unobservable inputs as classified as Level 3 fair value measurements. As a result, an Epping building revaluation increment of \$48.04M was recorded.

## VEHICLES

Vehicles are valued using the depreciated replacement cost method. The MMA acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in the MMA who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

## PLANT & EQUIPMENT

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method. There were no changes in valuation techniques throughout the period to 30 June 2016. For all assets measured at fair value, the current use is considered the highest and best use.

**NOTE 7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**  
**RECONCILIATION OF LEVEL 3 FAIR VALUE**

	Specialised Land	Specialised Buildings	Vehicles	Plant and Equipment
	\$	\$	\$	\$
Opening Balance	102,677,259	365,812,362	193,193	339,781
Purchases (Sales)	-	5,137,009	76,327	558,353
Transfer in (out) of level 3	(102,677,259)	-	-	-
Disposals	-	-	(66,074)	(2,810)
Depreciations	-	(13,624,364)	(51,613)	(228,548)
Subtotal	-	357,325,007	151,833	666,776
Revaluations	-	48,044,993	-	-
Subtotal	-	48,044,993	-	-
<b>Closing Balance</b>	<b>-</b>	<b>405,370,000</b>	<b>151,833</b>	<b>666,776</b>
<b>YEAR 2015</b>				
Opening Balance	81,000,000	1,479,002	255,654	372,872
Purchases (Sales)	21,677,259	365,571,147	76,593	166,125
Transfer in (out) of level 3	-	-	-	-
Disposals	-	-	(88,238)	-
Depreciations	-	(1,237,787)	(50,816)	(199,215)
Impairment Loss	-	-	-	-
Subtotal	102,677,259	365,812,362	193,193	339,781
<b>Closing Balance</b>	<b>102,677,259</b>	<b>365,812,362</b>	<b>193,193</b>	<b>339,781</b>

## NOTE 7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### TABLE DESCRIPTION OF SIGNIFICANT UNOBSERVABLE INPUTS TO LEVEL 3 VALUATIONS

	Valuation Technique	Significant unobservable inputs
Buildings - Epping	Cost approach Depreciated replacement cost	Direct cost per square metre Useful life of buildings
Buildings - West Melbourne	Depreciated replacement cost	Direct cost per square metre Useful life of buildings
Land	Market Approach	Community Service Obligation (CSO) adjustment
Vehicles	Depreciated replacement cost	Useful life of vehicles
Plant and equipment	Depreciated replacement cost	Useful life of plant and equipment

*The significant unobservable inputs have remained unchanged.*

*Please note that AASB 2015-7 Fair Value Disclosures of Not-for-profit Public Sector Entities, which is operative from 1 July 2016 has been adopted early and applied for reporting period ended 30 June 2016.*



# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2016 (continued)

## NOTE 8 INTANGIBLE ASSETS

	2016	2015
<b>SOFTWARE</b>	\$	\$
Gross carrying amount		
Opening balance	1,994,277	1,818,460
Additions	72,397	175,817
Disposals	(1,282,623)	-
Closing balance	784,051	1,994,277
Accumulated amortisation		
Opening balance	(1,763,679)	(1,584,579)
Disposals	1,282,503	-
Amortisation expense*	(150,729)	(179,100)
Closing balance	(631,905)	(1,763,679)
Net book value as at 30 June	152,146	230,598

\* Note: the consumption of intangible produced assets is included in 'depreciation' line item, where the consumption of intangible non-produced assets is included in 'net gain/(loss) on non-financial assets' line item in the comprehensive operating statement.

## NOTE 9 PAYABLES

	2016	2015
<b>CURRENT PAYABLES</b>	\$	\$
Contractual		
Supplies and services	5,046,116	2,933,912
Interest Payable	204,018	43,628
Rentals in advance	1,428,615	678,146
	6,678,749	3,655,686
Statutory		
FBT payable	14,230	6,146
Other taxes payable	901,092	456,731
Total current payables	7,594,070	4,118,563
<b>NON-CURRENT PAYABLES</b>		
Contractual		
Tenant bonds and retention monies	627,453	2,818,362
Total non-current payables	627,453	2,818,362
Total Payables	8,221,524	6,936,925

*Maturity analysis of contractual payables*

*Please refer to Note 16(c) for the maturity analysis of contractual payables.*

*Nature and extent of risk arising from contractual payables*

*Please refer to Note 16(c) for the nature and extent of risks arising from contractual payables.*

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2016 (continued)

## NOTE 10 BORROWINGS

	2016	2015
Current Borrowings	\$	\$
Loan from TCV	1,000,000	1,000,000
Total Current Borrowings	1,000,000	1,000,000
Non-Current Borrowings		
Loans from TCV	23,000,000	24,000,000
Total Non-Current Borrowings	23,000,000	24,000,000
Total Borrowings	24,000,000	25,000,000

*Note: MMA incurred debt as part of the funding for the new Market at Epping.  
Refer to Maturity analysis of contractual Financial liabilities table at note 16(c) on Page 65.*

## NOTE 11 PROVISIONS

	2016	2015
CURRENT	\$	\$
Employee benefits - annual leave(i)		
Unconditional and expected to settle within 12 months(ii)	72,458	70,953
Unconditional and expected to settle after 12 months(iii)	50,345	53,768
Employee benefits - long service leave(i)		
Unconditional and expected to settle within 12 months(ii)	60,777	-
Unconditional and expected to settle after 12 months(iii)	67,883	193,364
Total current employee benefits	251,463	318,085
Provisions relating to employee benefit on-costs(i)		
Unconditional and expected to settle within 12 months(ii)	6,455	54,158
Unconditional and expected to settle after 12 months(iii)	5,728	-
Total current employee benefit on-costs	12,183	54,158
Total current provisions	263,646	372,243
NON-CURRENT		
Employee benefits(i)	16,549	10,087
Employee benefits on-costs	811	1,499
Total non-current provisions	17,360	11,586
Total provisions	281,006	383,829
(A) EMPLOYEE BENEFITS AND ON-COSTS		
Current employee benefits		
Annual leave	122,803	124,721
Long service leave	128,660	193,364
Non current employee benefits		
Long service leave	16,549	10,087
Total employee benefits	268,012	328,172
Current on-costs	6,455	54,158
Non current on-costs	6,539	1,499
Total on-costs	12,994	55,657
Total employee benefits and on-costs	281,006	383,829

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2016 (continued)

(B) MOVEMENT IN PROVISIONS	2016	2015
	\$	\$
Opening balance	383,829	580,852
Additional provisions recognised	121,756	202,334
Reductions arising from payments/other sacrifices of future economic benefits	(224,579)	(399,357)
<b>Closing balance</b>	<b>281,006</b>	<b>383,829</b>

(i) Employee benefits consist of annual leave and long service leave accrued by employees. On-costs such as payroll tax and workers' compensation insurance are not employee benefits and are reflected as a separate provision

(ii) Amounts are nominal amounts

(iii) Amounts are measured at present values

## NOTE 12 SUPERANNUATION

	2016	2015
<b>Defined benefit plans:</b>	<b>\$</b>	<b>\$</b>
Vision Super*	11,967	11,398
<b>Defined Contribution plans:</b>		
Vision Super	43,810	36,276
Colonial Master Fund	28,684	27,022
Australian Super	27,110	24,805
Harwhitch Super Fund	19,553	18,582
REST	16,109	8,754
Legal Super	12,808	18,097
Vicsuper	12,246	7,000
Unisuper	12,306	
Hostplus	13,684	8,270
CBUS	10,253	8,982
Sunsuper	7,886	-
IOOF	6,724	5,307
IOOF Life Track	6,637	-
Superwrap – Personal Super	5,167	-
MLC Masterkey	2,973	1,295
Other	8,538	14,117
<b>Total</b>	<b>234,488</b>	<b>189,292</b>

\*Vision Super has two categories of membership, accumulation and defined benefit, each of which is funded differently.

## ACCUMULATION

Vision Super's accumulation category, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2016, this was 9.5% required under Superannuation Guarantee Legislation). MMA's commitment to defined contribution plans is limited to making contributions in accordance with our minimum statutory requirements. No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

## NOTE 12 SUPERANNUATION (CONTINUED)

Effective from 1 July 2014, the Superannuation Guarantee contribution rate was legislated to increase to 9.5%, and will progressively increase to 12% by 2019. Based on announcements included in the May 2014 Federal Budget, this progressive increase to 12% will be delayed until 2022.

### DEFINED BENEFIT

MMA does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a multi-employer sponsored plan.

As a multi-employer sponsored plan, the Fund was established as a mutual scheme to allow for the mobility of the workforce between the participating employers without attaching a specific liability to particular employees and their current employer. Therefore, there is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of MMA in the Fund cannot be measured as a percentage compared with other participating employers. While there is an agreed methodology to allocate any shortfalls identified by the Fund Actuary for funding purposes, there is no agreed methodology to allocate benefit liabilities, assets and costs between the participating employers for accounting purposes. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

### Funding Arrangements

MMA makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. The Fund's employer funding arrangements comprise of three components, which are detailed below:

1. Regular contributions - which are ongoing contributions needed to fund the balance of benefits for current members and pensioners;
2. Funding calls - which are contributions in respect of each participating employer's share of any funding shortfalls that arise; and
3. Retrenchment increments - which are additional contributions to cover the increase in liability arising from retrenchments.

MMA is also required to make additional contributions to cover the contribution tax payable on the contributions referred to above. Employees are also required to make member contributions to the Fund. As such, assets accumulate in the Fund to meet member benefits, as defined in the trust Deed, as they accrue.

### Regular Contributions

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December 2011, MMA makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2016, this rate was 9.5% of members' salaries, and is expected to increase in line with the required Superannuation Guarantee contribution rate.

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2016 (continued)

## NOTE 13 LEASES RECEIVABLE

Operating leases relate to operating property owned by the MMA with lease terms of between one to fifteen years. The lessee does not have an option to purchase the property at the expiry of the lease period.

	2016	2015
Non-cancellable operating leases receivable	\$	\$
Not longer than one year	10,121,996	8,385,626
Longer than 1 year but less than 5 years	28,033,556	32,914,712
Longer than 5 years	764,358	2,111,252
<b>Total non-cancellable operating leases receivable</b>	<b>38,919,910</b>	<b>43,411,590</b>

*Leases for Epping operations have a commencement date of 31 August 2015, and have lease terms of 1, 3, 5, 10 and 15 years.*

## NOTE 14 COMMITMENTS FOR EXPENDITURE

The MMA has operating and capital commitments to various contracts extending forward a number of financial years. Details are noted below:

	2016	2015
Operating expenditure commitments payable:	\$	\$
Not longer than 1 year	8,009,690	5,944,740
Longer than 1 year but less than 5 years	3,908,210	9,817,676
<b>Total operating commitments for expenditure</b>	<b>11,917,900</b>	<b>15,762,416</b>
Capital expenditure commitments payable:		
Not longer than 1 year	206,481	434,411
<b>Total capital expenditure commitments payable</b>	<b>206,481</b>	<b>434,411</b>
<b>Total commitments for expenditure (inclusive of GST)</b>	<b>12,124,381</b>	<b>16,196,827</b>
less GST recoverable from the Australian Taxation Office	(1,102,216)	(1,472,439)
<b>Total commitments for expenditure (exclusive of GST)</b>	<b>11,022,165</b>	<b>14,724,388</b>

## NOTE 15 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The MMA is awaiting formal notification from the DEDJTR that it will not be liable for clean-up or site-restoration costs beyond regular post-market cleaning upon the cessation of market operations at the West Melbourne site. The transfer of these assets to VicTrack is scheduled for 28 October 2016.

Pursuant to amendments to the Congestion Levy Act 2005, the West Melbourne market site is a 'Category 2 levy area', effective 1 January 2015. A levy has not been issued to the MMA in respect of this site. A contingent liability was recognised in 2015 because of uncertainty around the potential liability. An accrual has been provided for in 2016 based on best estimate.

## NOTE 16 FINANCIAL INSTRUMENTS

### (a) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The MMA's principal financial instruments comprise of:

- cash assets and term deposits;
- receivables (excluding statutory receivables);
- payables (excluding statutory payables) and
- borrowings.

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, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 1 to the financial statements.

## NOTE 16 FINANCIAL INSTRUMENTS (CONTINUED)

The main purpose in holding financial instruments is to prudentially manage the MMA's financial risks within Government policy parameters.

The MMA's main financial risks include credit risk, liquidity risk and interest rate risk. The MMA manages these financial risks in accordance with its financial risk management policy.

The MMA uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Finance, Audit and Risk Management Committee of the MMA.

### a (i) Categorisation of financial instruments

	Contractual financial assets - loans and receivables	Contractual financial liabilities at amortised cost	Total
<b>YEAR 2016</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Contractual financial assets</b>			
Cash and deposits	5,904,651		5,904,651
Receivables*			
-Accrued investment income	63,280		63,280
-Rental Income	2,174,348		2,174,348
Investments & other contractual financial assets			
Term Deposits	25,000,000		25,000,000
<b>Total Contractual financial assets</b>	<b>33,142,279</b>		<b>33,142,279</b>
<b>Contractual Financial Liabilities</b>			
Payables			
- Supplies and services		5,046,115	5,046,115
- Other payables		204,018	204,018
Borrowings			
Loans from TCV		24,000,000	24,000,000
<b>Total contractual financial liabilities</b>		<b>29,250,134</b>	<b>29,250,134</b>
<b>YEAR 2015</b>			
<b>Contractual financial assets</b>			
Cash and deposits	38,208,071		38,208,071
Receivables*			
Accrued investment income	75,473		75,473
Rental Income	196,947		196,947
Investments & Other contractual financial assets			
Term Deposits			
<b>Total contractual financial assets</b>	<b>38,480,490</b>		<b>38,480,490</b>
<b>Contractual Financial Liabilities</b>			
Payables			
- Supplies and services		2,933,912	2,933,912
- Other payables		43,628	43,628
Borrowings			
Loans from TCV		25,000,000	25,000,000
<b>Total contractual financial liabilities</b>		<b>27,977,540</b>	<b>27,977,540</b>

\*Note: The total amounts disclosed here exclude statutory amounts (i.e. amounts owing from Victorian Government, GST input tax credit recoverable and taxes payable).

## NOTE 16 FINANCIAL INSTRUMENTS (CONTINUED)

### a (ii) Net holding gain/(loss) on financial instruments by category

	Total interest income/ (expense)	Total
YEAR 2016	\$	\$
Contractual financial assets		
Financial assets - cash and deposits	711,828	711,828
<b>Total contractual financial assets</b>	<b>711,828</b>	<b>711,828</b>
Financial liability - loan to TCV	(985,064)	(985,064)
<b>Total contractual financial liabilities</b>	<b>(985,064)</b>	<b>(985,064)</b>
YEAR 2015	\$	\$
Contractual financial assets		
Financial assets - cash and deposits	1,022,457	1,022,457
<b>Total contractual financial assets</b>	<b>1,022,457</b>	<b>1,022,457</b>
Financial liability - loan to TCV	(43,628)	(43,628)
<b>Total contractual financial liabilities</b>	<b>(43,628)</b>	<b>(43,628)</b>



## NOTE 16 FINANCIAL INSTRUMENTS (CONTINUED)

### b (i) CREDIT RISK

Credit risk arises from the contractual financial assets of the MMA, which comprise cash and deposits and non-statutory receivables. The MMA's exposure to credit risk is deemed insignificant. The MMA's debtors meet their contractual obligations as they fall due. Credit risk is measured at fair value and is monitored on a regular basis.

### CREDIT QUALITY OF CONTRACTUAL FINANCIAL ASSETS THAT ARE NEITHER PAST DUE NOR IMPAIRED

	Financial institutions (triple-A credit rating)	Government agencies (triple-A credit rating)	Government agencies (triple-B credit rating)	Other (minimum triple-B credit rating)	Total
<b>YEAR 2016</b>	\$	\$	\$	\$	\$
Cash and deposits	-	5,498,375	-	406,276	5,904,651
Receivables*					
- Accrued investment income	-	63,280	-	-	63,280
- Rental income	-	-	-	2,174,348	2,174,348
Investment & other contractual financial assets					
- Term deposits	-	25,000,000	-	-	25,000,000
<b>Total</b>	-	<b>30,561,655</b>	-	<b>2,580,624</b>	<b>33,142,279</b>
<b>YEAR 2015</b>					
Cash and deposits	-	37,500,000	-	708,071	38,208,071
Receivables					
- Accrued investment income	-	75,473	-	-	75,473
- Rental income	-	-	-	196,947	196,947
Investment & other contractual financial assets					
- Term deposits	-	-	-	-	-
<b>Total</b>	-	<b>37,575,473</b>	-	<b>905,017</b>	<b>38,480,490</b>

\* Note: the carrying amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable).

## NOTE 16 FINANCIAL INSTRUMENTS (CONTINUED)

### b (ii) CREDIT RISK

#### AGEING ANALYSIS OF CONTRACTUAL FINANCIAL ASSETS

	Carrying Amount	Not past due and not impaired	Past due but not impaired				Impaired financial assets
			<1 mth	1-3 mths	3 mths - 1 year	1-5 years	
	\$	\$	\$	\$	\$	\$	\$
<b>YEAR 2016</b>							
Cash and deposits	5,904,651	5,904,651	-	-	-	-	-
Receivables*							
- Accrued investment income	63,280	63,280	-	-	-	-	-
- Rental Income	2,174,348	1,701,368	181,956	291,024	-	-	-
Investments & Other contractual financial assets							
- Term deposits	25,000,000	25,000,000	-	-	-	-	-
<b>Total</b>	<b>33,142,279</b>	<b>32,669,299</b>	<b>181,956</b>	<b>291,024</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>YEAR 2015</b>							
Cash and deposits	38,208,071	38,208,071	-	-	-	-	-
Receivables*							
- Accrued investment income	75,472	75,472	-	-	-	-	-
- Rental Income	196,947	132,071	63,873	1,003	-	-	-
Investments & Other contractual financial assets							
- Term deposits	-	-	-	-	-	-	-
<b>Total</b>	<b>38,480,490</b>	<b>38,415,614</b>	<b>63,873</b>	<b>1,003</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* Note: the carrying amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2016 (continued)

## NOTE 16 FINANCIAL INSTRUMENTS (CONTINUED)

### (C) LIQUIDITY RISK

The MMA's exposure to liquidity risk is deemed insignificant. The organisation is able to meet its financial obligations as they fall due. The following table discloses the contractual maturity analysis for the MMA's financial Liabilities.

#### MATURITY ANALYSIS OF CONTRACTUAL FINANCIAL LIABILITIES

Presented using the contractual undiscounted cashflows

	Carrying amount	Nominal amount	Maturity dates				
			<1 mth	1-3mths	3mths-1 year	1-5 years	5 years
<b>YEAR 2016</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Payables*</b>							
Supplies and services	5,046,115	5,046,115	5,046,115	-	-	-	-
Other payables	204,018	204,018	-	-	204,018	-	-
<b>Borrowings</b>							
Loans from TCV	24,000,000	24,000,000	-	500,000	500,000	4,000,000	19,000,000
<b>Total</b>	<b>29,250,133</b>	<b>29,250,133</b>	<b>5,046,115</b>	<b>500,000</b>	<b>704,018</b>	<b>4,000,000</b>	<b>19,000,000</b>
<b>YEAR 2015</b>							
<b>Payables*</b>							
Supplies and services	2,933,912	2,933,912	2,933,912	-	-	-	-
Other payables	43,628	43,628	-	-	43,628	-	-
<b>Borrowings</b>							
Loans from TCV	25,000,000	25,000,000	-	500,000	500,000	4,000,000	20,000,000
<b>Total</b>	<b>27,977,540</b>	<b>27,977,540</b>	<b>2,933,912</b>	<b>500,000</b>	<b>543,628</b>	<b>4,000,000</b>	<b>20,000,000</b>

\* Note: the carrying amounts disclosed exclude statutory payables (e.g. GST payable).

## NOTE 16 FINANCIAL INSTRUMENTS (CONTINUED)

### (D) MARKET RISK

The MMA's exposure to market risk, which includes interest rate risk, is deemed insignificant. This risk is minimised by the MMA's financial instruments being mostly fixed rate and non-interest bearing.

### INTEREST RATE RISK SENSITIVITY

	Weighted average interest rate %	Carrying amount	Interest rate exposure		
			Fixed interest rate	Variable interest rate	Non-interest bearing
YEAR 2016	\$	\$	\$	\$	\$
<b>Financial Assets</b>					
Cash and deposits	2.23%	5,904,651	4,800,000	1,097,274	7,377
Receivables					
-Accrued investment income	2.23%	63,280	63,280	-	-
- Rental Income		2,174,348	-	-	2,174,348
Investments & other contractual financial assets					
-Term deposits	2.12%	25,000,000	25,000,000	-	-
<b>Total financial assets</b>		<b>33,142,279</b>	<b>29,863,280</b>	<b>1,097,274</b>	<b>2,181,725</b>
<b>Financial Liabilities</b>					
Payables*					
-Borrowings	4.03%	24,000,000	24,000,000	-	-
-Supplies & service		5,046,115	-	-	5,046,115
-Other payables		204,018	-	-	204,018
<b>Total financial Liabilities</b>		<b>29,250,133</b>	<b>24,000,000</b>	<b>-</b>	<b>5,250,133</b>
<b>YEAR 2015</b>					
<b>Financial Assets</b>					
Cash and deposits	2.25%	38,208,071	37,500,000	708,071	3,567
Receivables					
-Accrued investment income	2.57%	75,473	75,473	-	-
- Rental Income		196,947	-	-	196,947
Investments & other contractual financial assets					
-Term deposits		-	-	-	-
<b>Total financial assets</b>		<b>38,480,491</b>	<b>37,575,473</b>	<b>708,071</b>	<b>200,514</b>
<b>Financial Liabilities</b>					
Payables*					
-Borrowings	3.98%	25,000,000	25,000,000	-	-
-Supplies & service		2,933,912	-	-	2,933,912
-Other payables		2,861,990	-	-	2,861,990
<b>Total financial Liabilities</b>		<b>30,795,902</b>	<b>25,000,000</b>	<b>-</b>	<b>5,795,902</b>

\*Note: the carrying amounts disclosed here exclude statutory amounts (eg. amounts owing from Victorian Government, GST input tax credit recoverable and GST payables).

## NOTE 16 FINANCIAL INSTRUMENTS (CONTINUED)

### MARKET RISK EXPOSURE - INTEREST RATE

	Carry Amount	Interest Rate Risk	
		-50 Basis Points	+50 Basis Points
<b>YEAR 2016</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and deposits	5,904,651	(29,523)	29,523
Investments & other contractual financial assets	25,000,000	(125,000)	125,000
Contractual financial liabilities	24,000,000	(120,000)	120,000
<b>Total impact</b>		<b>(274,523)</b>	<b>274,523</b>
<b>YEAR 2015</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and deposits	38,208,071	(191,040)	191,040
Investments & other contractual financial assets		-	-
Contractual financial liabilities	25,000,000	(125,000)	125,000
<b>Total impact</b>		<b>(316,040)</b>	<b>316,040</b>

### (e) FAIR VALUE

The MMA considers that the carrying amount of financial assets and financial liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full. The fair value of the interest bearing financial liability is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2016 (continued)

## NOTE 17 CASH FLOW INFORMATION

	2016	2015
(a)Reconciliation of cash & cash equivalents	\$	\$
Total cash and deposits disclosed in the balance sheet	5,904,651	38,208,071
Balance as per cashflow statement	5,904,651	38,208,071
(b)Reconciliation of net result for the period to net cash flows from operating activities		
Net Result for the period	(13,538,568)	7,618,312
Non-cash movements		
Depreciation and amortisation of non-current assets	14,055,251	1,666,919
(Gain)/loss on disposal of non-current assets	(24,569)	14,152
Movements in assets and liabilities		
(Increase)/decrease in current receivables	(2,204,485)	53,046
(Increase)/decrease in current prepayments	101,130	(290,823)
(Decrease)/increase in provisions	(102,823)	(197,023)
(Decrease)/Increase in current payables	1,284,599	679,194
Net cash flows from/(used in) operating activities	(429,465)	9,543,777

## NOTE 18 RESERVES

	2016	2015
PHYSICAL ASSET REVALUATION SURPLUS(i)	\$	\$
Balance at the beginning of financial year	50,937,800	50,937,800
Revaluation increments	120,367,734	-
Balance at end of financial year	171,305,534	50,937,800

*The physical asset revaluation surplus arises on the revaluation of land and buildings*

## NOTE 19 EX-GRATIA PAYMENTS

	2016	2015
	\$	\$
Ex-gratia payments were made for the reimbursement of office costs to members of the MMA's Advisory Committees	20,830	-
Amounts due and paid to Advisory Committee members	20,830	-

## NOTE 20 RESPONSIBLE PERSONS

In accordance with the Directions of the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

### NAMES

The persons who held the above positions in the MMA are as follows:

Minister for Agriculture and Regional Development	The Hon. Jaala Pulford	01-Jul-2015	to	30-Jun-2016
Chairperson	Mr S J McArthur	01-Jul-2015	to	30-Jun-2016
Board Member	Ms G Marven	01-Jul-2015	to	31-Dec-2015
Board Member	Ms G Marven	22-Feb-2016	to	30-Jun-2016
Board Member	Mr A McLellan	01-Jul-2015	to	31-Dec-2015
Board Member	Mr R Cooper	01-Jul-2015	to	30-Jun-2016
Board Member	Mr W Lewis	01-Jul-2015	to	30-Jun-2016
Board Member	Ms S Friend	22-Feb-2016	to	30-Jun-2016
Chief Executive Officer	Mr M Maskiell	01-Jul-2015	to	30-Jun-2016

### REMUNERATION

Remuneration received or receivable by the Chief Executive Officer in conjunction with the management of the MMA during the reporting period was in the range:

\$330,000 - 339,999 (2015: \$310,000 - 319,999)

Persons other than the Accountable Officer:

	2016	2015
Income Band		
\$0 - \$9,999	1	-
\$10,000 - \$19,999	2	-
\$20,000 - \$29,999	2	4
\$30,000 - \$39,999	1	1
Total Numbers	6	5
Total Amounts	121,156	123,547

Amounts relating to the Ministers are reported in the financial statements of the Department of Premier and Cabinet. For information regarding related party transactions of ministers, the register of members' interests is publicly available from:

[www.parliament.vic.gov.au/publications/register-of-interests](http://www.parliament.vic.gov.au/publications/register-of-interests)

### OTHER TRANSACTIONS

Other related transactions and loans requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.

## NOTE 21 REMUNERATION OF EXECUTIVES AND PAYMENTS TO OTHER PERSONNEL

### (IE. CONTRACTORS WITH SIGNIFICANT MANAGEMENT RESPONSIBILITIES)

The number of executive officers, other than the Minister and Chief Executive Officer, and their total remuneration during the reporting period is shown in the first two columns of the table below in their relevant income bands. The base remuneration of executives is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits. The total annualised employee equivalent provides a measure of full-time equivalent executive officers over the reporting period.

Three executives were made redundant in 2015 due to the revised structure of the MMA with the implementation of a Facility Manager at the Epping site which has had a reduction on the total remuneration figures in 2016.

### EXECUTIVE OFFICER REMUNERATION

	Total Remuneration		Base Remuneration	
	2016	2015	2016	2015
Income Band				
Less than \$100,000	1	2	1	3
\$100,000 - 109,999	-	1	-	-
\$120,000 - 129,999	-	-	1	-
\$140,000 - 149,999	1	2	1	3
\$150,000 - 159,999	-	1	-	-
\$180,000 - 189,999	1	-	-	-
\$190,000 - 199,999	-	1	1	2
\$200,000 - 209,999	-	-	1	-
\$210,000 - 219,999	1	1	-	-
\$220,000 - 229,000	1	-	-	-
Total number of executives	5	8	5	8
Total annualised employee equivalent	3.8	5.2	3.8	5.2
Total amount	844,455	1,061,020	739,795	1,008,470

\*Note: Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over the 52 weeks for the reporting period.

## NOTE 22 REMUNERATION OF AUDITORS

	2016	2015
	\$	\$
Audit fees paid or payable to the Victorian Auditor-General's Office (VAGO) for audit of the MMA's financial report	47,300	46,100
Amounts due and receivable by the Auditor-General	47,300	46,100

## NOTE 23 SUBSEQUENT EVENTS

The land and buildings at West Melbourne are disclosed as an asset of the MMA at 30 June 2016. The transfer of these assets to Vic Track is scheduled for 28 October 2016.



## NOTE 24 GLOSSARY OF TERMS AND STYLE CONVENTIONS

### **Actuarial gains or losses on superannuation defined benefit plans**

Actuarial gains or losses are changes in the present value of the superannuation defined benefit liability resulting from:

- (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
- (b) the effects of changes in actuarial assumptions.

### **Amortisation**

Amortisation is the expense which results from the consumption, extraction or use overtime of a non-produced physical or intangible asset. This expense is classified as an other economic flow.

### **Comprehensive result**

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other non-owner movements in equity.

### **Capital asset charge**

The capital asset charge represents the opportunity cost of capital invested in the non financial physical assets used in the provision of outputs.

### **Commitments**

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

### **Depreciation**

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transaction'.

### **Employee benefits expenses**

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

### **Ex gratia payments**

Ex gratia expenses mean the voluntary payment of money or other non monetary benefit (e.g. a write off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability or claim against the entity.

### **Financial asset**

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual or statutory right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

## Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

## Financial liability

A financial liability is any liability that is:

(a) A contractual or statutory obligation:

- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

(b) A contract that will or may be settled in the entity's own equity instruments and is:

- a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

## Financial statements

A complete set of financial statements in the Model Report comprises:

- (a) balance sheet as at the end of the period;
- (b) comprehensive operating statement for the period;
- (c) a statement of changes in equity for the period;
- (d) cash flow statement for the period;
- (e) notes, comprising a summary of significant accounting policies and other explanatory information;
- (f) comparative information in respect of the preceding period as specified in paragraphs 38 of AASB 101, *Presentation of Financial Statements*; and
- (g) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 41 of AASB 101.

## General government sector

The general government sector comprises all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. General government services include those which are mainly non-market in nature, those which are largely for collective consumption by the community and those which involve the transfer or redistribution of income. These services are financed mainly through taxes, or other compulsory levies and user charges.

## Intangible produced assets

Refer to produced assets in this glossary.

## Interest expense

Costs incurred in connection with the borrowing of funds includes interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, interest component of finance leases repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

## **Interest income**

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

## **Net result**

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other economic flows – other comprehensive income'.

## **Net result from transactions/net operating balance**

Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

## **Net worth**

Assets less liabilities, which is an economic measure of wealth.

## **Non financial assets**

Non financial assets are all assets that are not 'financial assets'. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, investment properties, cultural and heritage assets, intangible and biological assets.

## **Other economic flows**

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. It includes:

- gains and losses from disposals, revaluations and impairments of non financial physical and intangible assets;
- fair value changes of financial instruments and agricultural assets; and
- depletion of natural assets (non produced) from their use or removal.

Please refer to Appendix 2 for examples.

## **Other economic flows – other comprehensive income**

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards.

The components of other economic flows other comprehensive income include:

- (a) changes in physical asset revaluation surplus;
- (b) share of net movement in revaluation surplus of associates and joint ventures; and
- (c) gains and losses on remeasuring available for sale financial assets; Please refer to Appendix 2 for examples.

## **Payables**

Includes short and long-term trade debt and accounts payable, grants, taxes and interest payable.

## **Produced assets**

Produced assets include buildings, plant and equipment, inventories, cultivated assets and certain intangible assets. Intangible produced assets may include computer software, motion picture films, and research and development costs (which does not include the start up costs associated with capital projects).

## Receivables

Includes amounts owing from government through appropriations receivable, short and long term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

## Sales of goods and services

Refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non produced assets such as land. User charges includes sale of goods and services income.

## Supplies and services

Supplies and services generally represent cost of goods sold and the day to day running costs, including maintenance costs, incurred in the normal operations of the MMA.

## Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows in 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. In simple terms, transactions arise from the policy decisions of the government. Please refer to Appendix 2 for examples.

## Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts. The notation used in the tables is as follows:

- zero, or rounded to zero

(x) negative numbers

## CHAIRPERSON'S, CHIEF EXECUTIVE OFFICER'S & CHIEF FINANCIAL OFFICER'S DECLARATION

The attached financial statements for the MMA have been prepared in accordance with Standing Directions 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2016 and financial position of the MMA at 30 June 2016.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

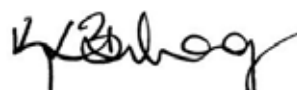
We authorise the attached financial statements for issue on 7 September 2016.



S J McArthur  
Chairperson



M Maskiell  
Chief Executive Officer



K Buhagiar  
Chief Financial Officer

# MELBOURNE MARKET AUTHORITY

## APPENDIX 1

### DISCLOSURE INDEX

The Annual Report of the MMA is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to facilitate identification of the MMA's compliance with statutory disclosure requirements.

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# MELBOURNE MARKET AUTHORITY

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## APPENDIX 2

### PRACTICAL CLASSIFICATION GUIDE BETWEEN TRANSACTIONS AND OTHER ECONOMIC FLOWS

**Transactions (T)** generally arise when there is mutual agreement between counterparties. They represent changes to assets/liabilities that result directly from economic activities such as production (including cultivated assets e.g. breeding stock and plantations) or consumption.

**Other economic flows (OEF)** are either holding gains/(losses) from revaluations of assets/liabilities due to market changes, or changes in volume due to non-economic phenomena such as: entrance or exit from the balance sheet as a result of normal events other than transactions e.g. discoveries of mineral deposits; birth/demise of breeding stock; assets created by human activity not previously recognised; destruction by catastrophe.

For operating statement presentation purposes, other economic flows are disaggregated into 'other economic flows included in the net result' and 'other economic flows - other comprehensive income (OCI)'.

	Item	Transaction	OEF included in net result	OEF-OCI	Reason for the classification
1	Taxation	✓			Agreed between counterparties i.e. implicit agreement between government and taxpayers
2	Bad debts	✓	✓		Either: If agreed between counterparties = transaction If unilateral write off treated as a revaluation = other economic flows
3	Dividends	✓			Agreed between counterparties i.e. owner and business
4	Net profit or loss from associates (other than dividends)		✓		Revaluation of investment
5	Depreciation	✓			Agreed between internal counterparties i.e. the business is simultaneously acting as the owner and consumer of the service provided by the asset
6	Provision for doubtful debts		✓		Treated as a unilateral decision to provision adjustment and affect net result.
7	Long service leave provision	✓			Subject to review, which might be recategorised into 'other economic flow included in the net result'.
	1. Change in provision due to changes in the bond rates				
	2. Change in provision due to changed estimation		✓		Revaluation
8	Whole of government unfunded superannuation liability	✓			
	1. Net Interest Expense				
	2. Remeasurement			✓	Revaluation: (1) difference between expected return on assets and actual return; (2) change to gross obligation due to bond rate change
9	Gain/Loss on financial instruments/non financial assets		✓		Revaluation
10	Depletion of natural assets by removal or physical use e.g. forest; destruction by catastrophe e.g. fire		✓		Change in volume
11	Gain from natural increase in livestock due to births		✓		Change in volume

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