



# Melbourne Market Authority

## Annual Report 2016 – 2017





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 2017.

This report covers the period 1 July 2016 to 30 June 2017. 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 'PJS', is positioned above the printed name and title.

Peter Tuohey  
Chairperson

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## RESPONSIBLE BODY'S DECLARATION

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In accordance with the *Financial Management Act 1994*, I am pleased to present the Melbourne Market Authority's Annual Report for the year ending 30 June 2017.



Mark Maskiell  
Chief Executive Officer  
Melbourne Market Authority

30 August 2017

# SECTION 1: YEAR IN REVIEW

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The Melbourne Market is administered by the Melbourne Market Authority (MMA), established under the *Melbourne Market Act 1977*.

## *Our vision*

The Melbourne Market will be recognised Australia-wide as an industry leader, committed to innovation, quality 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 mission*

To maintain a vibrant and sustainable market by responding proactively to the fundamental shifts in the fresh produce trading environment and helping our clients to adapt.

## *Our values*

The MMA will approach our work and each other with a commitment to:

- Act with honesty, integrity and respect for others
- Engage openly with all our stakeholders
- Assist the development of our market community and their businesses
- Support the growth of Victoria's fresh produce economy

## *Our objectives*

- Provide a commercially viable wholesale facility for the efficient distribution of fresh produce
- Optimise return on land assets controlled and managed by the authority
- Ensure a fair and competitive environment for the wholesale trading of produce

## CHAIRPERSON'S AND CHIEF EXECUTIVE OFFICER'S REPORT

In August 2016 we celebrated our first 12 months at the new market facility and there is much to be proud of as we recognise our two year anniversary. This includes the completion of a number of major capital works projects, an award recognition for sustainability, welcoming Steritech to the market, the development of a National Brand Program, the introduction of a greengrocery training program and planning the World Union of Wholesale Markets Congress in October this year.

The MMA has undertaken a number a major capital works projects this year. CCTV coverage across the site was upgraded which ensured we could appropriately, effectively and efficiently manage the site and help track produce movements from start to finish. We were also pleased that by October 2016 the onsite recycle Transfer Facility was commissioned. With the new Waste and Recycling efficiencies, we announced a partnership with the Yarra Valley Water Waste to Energy Facility which provided an environmentally friendly disposal solution for the market's clean organic waste. Our recycling rate for the site reached more than 90 per cent.

In 2016 the MMA was recognised as an ABA100 Winner of the Australian Business Awards for Sustainability. This recognised the market's achievements in promoting excellence through innovative initiatives which have transformed business practices. Significant investigative work is being undertaken to minimise our environmental footprint further through more efficient LED Lighting sources across the site and the viability of utilising existing solar infrastructure in the coming 12 months.

In March 2017, the Minister for Agriculture, the Hon. Jaala Pulford and the Member for Thomastown Ms. Bronwyn Halfpenny, announced that in a Victorian first, the Victorian Government would assist Steritech with a \$4.9 million investment to develop a fresh produce x-ray treatment facility at the Melbourne Market. This facility will help boost export potential and provide Victorian producers with a major market advantage. It is also a significant step forward in expanding the market's role into other areas of the supply chain to create a food hub of international significance.

We are also pleased the MMA's Facility Manager, Plenary Asset Management (PAM), will extend its term for an additional three years ensuring continuity of the well-developed relationship PAM has with the MMA and market users. The extension also guarantees the continuance of well-established service level contracts for the repairs, maintenance and minor capital works programs across the market.

There have been new collaborations with the Central Market Association of Australia (CMAA) and the Fresh Markets Australia (FMA) Chambers including the development of a National Brand Program set to be launched early next year. Given the scale of the project, it will enable us to work together towards achieving common goals and targets. This includes efficiencies and savings through bulk purchasing activities and coordinated marketing activity across Australia to ultimately increase sales for market users.

In another first, the MMA has been working with Melbourne Polytechnic in developing a Certificate II and Certificate III in Greengrocery. A steering committee of Melbourne Market Retailers have finalised the course content to ensure it's relevant to the industry. It has been submitted to the Victorian Registration & Qualifications Authority and it is anticipated the course will be available for enrolments early 2018.

Planning for the 2017 World Union of Wholesale Markets Congress has remained a large focus of the MMA. In partnership with Queen Victoria Market and Sydney Markets Limited, the Melbourne Market will host delegates from all over the world and showcase our world class facility. The team has secured a strong panel of presenters focused on changing technological global trends that both retail and wholesale markets will face. We all look forward to a collaborative approach from all the markets, as well as having Victorian Government representatives and Melbourne's Lord Mayor join us.

The MMA has also seen significant changes at Board level. We would like to thank the outgoing members Stephen McArthur, William Lewis and Russell Cooper for their contribution and services to the MMA both during and post transition to the new market site. The Minister for Agriculture announced the appointments of Peter Tuohey as the new Chairperson as well as Jacinta Carboon and Robyn Stewart as new members for a term of three years from 18 January 2017.

The planning that has been undertaken in 2016 / 2017 will help to ensure the attraction of more investment, the ability to help businesses innovate and grow, capture market opportunities, develop onsite infrastructure, and improve the business operating environment in line with the Victorian Food and Fibre Sector Strategy and the Agriculture Victorian Strategy.



**Mark Maskiell**  
Chief Executive Officer  
Melbourne Market Authority



**Peter Tuohey**  
Chairperson  
Melbourne Market Authority

# PORTFOLIO PERFORMANCE REPORTING

## Reporting progress towards achieving objectives

In 2014 the MMA set the following three overarching goals to achieve over the next three years:

1. Deliver on the transition of the market to Epping. This includes the introduction of a new operating environment through the implementation of the Operating Rules which are linked to tenant leases and licenses.
2. Maximise the return of the assets controlled by the MMA through a planned approach of monitoring and reviewing operations and service providers.
3. Create (in conjunction with DEDJTR) a commercial precinct that utilises the wholesale market to drive and increase the overall value of the whole site, including land owned by the Victorian Government that is not part of the MMA Head Lease.

The following tables specify the strategies, initiatives and tasks developed to achieve the corresponding objectives.

### Financial

	Detail	Purpose	Status
<b>Strategy:</b>	Grow and diversify the revenue base whilst minimising operating costs to make the market the preferred place of business for the fresh produce industry	Achieve a greater return on the MMA's assets and underpin the market's long term growth and development	✓
<b>Objective:</b>	Achieve Gross revenue of \$22.7m for the 2016/17 financial year	Maintain the MMA's strong financial position	
<b>Critical Success Factor(s):</b>	Maintain targeted occupancy levels, grow new occupancies, realise operational efficiencies and control pass-through costs		

Output	Outcome
Management of the lease/ licence portfolio to make the market the preferred place of business for the fresh produce industry	<ul style="list-style-type: none"> <li>• 100 per cent of renewals were undertaken as per the requirements in lease.</li> <li>• 100 per cent of expiring warehouse leases were re-tenanted prior to lease expiry.</li> </ul>
Management of the facilities / assets to make the market the preferred place of business for the fresh produce industry	<ul style="list-style-type: none"> <li>• The Asset Maintenance Plan was revised to maximise life, increase efficiency and whole of life replacement scheduling and budgeting.</li> <li>• New technology was deployed on rapid roller doors and protection bollards, eliminating expensive replacement costs and improving safety which enhanced the market user experience.</li> </ul>
Maximise return on existing assets by regularly conducting cost / benefit review of existing assets and/or operations to make the market the preferred place of business for the fresh produce industry	<ul style="list-style-type: none"> <li>• Improved efficiency in the Customer Service Centre and the addition of a mobile customer service representative increased the customer engagement experience.</li> <li>• Modifications to the vehicle storage facilities improved customer utilisation by 23 per cent.</li> <li>• Recycling of cardboard, plastics, polystyrene and pine pallets averaged 98 per cent while clean organics were stored and delivered to the Yarra Valley Waste to Energy plant for conversion to methane reducing landfill disposal by 48 tonnes per week.</li> </ul>
Identify, develop and implement new revenue generating opportunities	<ul style="list-style-type: none"> <li>• Secured a \$13m investment by Steritech to establish a fresh produce irradiation facility at the Melbourne Market to access key export markets.</li> <li>• \$24.23m gross revenue versus objective of \$22.7m.</li> </ul>

## Stakeholder

	Detail	Purpose	Status
<b>Strategy:</b>	The MMA's stakeholder relationships are effective, strong, consultative and collaborative	Capitalise on rebuilt relationships and deliver on the opportunities that an operational Epping site will generate	✓
<b>Objective:</b>	Improve stakeholder relations and customer service through the development, implementation and effective communication of the MMA	Effective and high performing stakeholder and customer relationships are critical to realising the MMA's goals and objectives	
<b>Critical Success Factor(s):</b>	Maintain and improve valuable relationships with clients, service providers, DEDJTR & DELWP		

Output	Outcome
Collaborate with and leverage the advisory committee structure to promote market activities / initiatives and improve the operating environment for market users	<ul style="list-style-type: none"> <li>With new Advisory Committees elected in 2016, the MMA was able to shift discussion from transition to a more current and proactive conversation and has developed a number of initiatives to support the whole market.</li> </ul>
Position the Melbourne Market as the preferred place to do business in the fresh produce industry	<ul style="list-style-type: none"> <li>Implemented the 2016/17 brand, communications and partnerships plan on time and within budget involving maintenance, utilisation and evaluation of the suite of communication channels available.</li> <li>A broad consultation exercise to review the market trading hours 12 months after the relocation to Epping to ensure they were effectively servicing the needs of the market community was completed as per the 2016/17 plan.</li> </ul>
Capitalise on the Melbourne Market brand positioning and awareness strategy	<ul style="list-style-type: none"> <li>Fostered productive relationships with the City of Whittlesea, Northlink, other municipalities in the region and DEDJTR for the creation of a food hub utilising the market as the precinct's anchor.</li> <li>More than 140 tours of the market were conducted for almost 2,000 potential sellers, buyers, industry groups and interested parties. Several Ministerial visits were hosted by the Board and Management team.</li> <li>Chair the local organising committee for the World Union of Wholesale Markets Congress in October 2017. The congress is anticipated to attract 250+ Australian and international delegates creating the opportunity to engage industry leaders to tackle emerging threats and opportunities for wholesale and retail markets identified by the MMA.</li> </ul>



## People and Culture

	Detail	Purpose	Status
<b>Strategy:</b>	Build a capable and accountable MMA	Maximise the return on the MMA's assets by providing an environment for employees that is both challenging and rewarding	✓
<b>Objective:</b>	Secure and retain appropriately skilled employees to ensure the successful delivery of the MMA's objectives	Effective and engaged employees will maximise the quality and results of the desired organisational goals	
<b>Critical Success Factor(s):</b>	Completion of the MMA organisation restructure and the implementation of the Facility Management Model		

Output	Outcome
Continuously monitor and review gaps as a result of the changing needs of the MMA and secure appropriately skilled employees	<ul style="list-style-type: none"> <li>The Management Team undertakes a Management Review every six months to evaluate the current and future needs of the business.</li> <li>All employee Position Descriptions were updated and agreed to in November 2016.</li> <li>The MMA Finance, Audit and Risk Sub Committee of the Board reviewed and implemented additional KPIs reporting requirements for PAM. This reporting commenced in December 2016 and was reported directly to the MMA Board each month.</li> </ul>
Create and foster an environment where individual and team performance is recognised and rewarded	<ul style="list-style-type: none"> <li>Consolidated the 3 Year Strategic Business Plan Scorecard outcomes and ensured that agreed KPIs were cascaded from the allocated responsible person to their team members.</li> </ul>
Create and support informal and formal learning opportunities for employees	<ul style="list-style-type: none"> <li>Employee specific Training Plans were included in the formal Performance Review template and Position Descriptions were reviewed and updated to ensure they remained relevant.</li> <li>Managers appropriately budgeted additional training for employee development and encouraged staff to attend at least one formal training program or event.</li> </ul>
Develop and foster the relationship between the MMA and the facility manager to ensure goals are aligned and achieved to make the market the preferred place of business for the fresh produce industry	<ul style="list-style-type: none"> <li>Contractual KPIs were reviewed and revised in 2016/17 to reflect the high performance standards expected.</li> <li>In total, 27 key operational functions were evaluated and revised in the KPI structure improving operational efficiency and mitigating risk to plant and essential services. Major services such as cleaning, waste management, electrical, lighting, plumbing and safety compliance were measured against KPIs and minor services such as locksmiths, lifts and parking machines were reviewed annually.</li> </ul>

## Internal Processes

	Detail	Purpose	Status
<b>Strategy:</b>	Manage and continuously improve the MMA's Business Management System (BMS)	Create an MMA that is effective and efficient in what it does	✓
<b>Objective:</b>	Implement and leverage the MMA's BMS to realise operational efficiencies	Ensure operational efficiencies deliver cost savings	
<b>Critical Success Factor(s):</b>	Maintain ISO 9001 certification and monitor service providers' operational compliance		

Output	Outcome
Implement identified efficiencies of the Business Management System through a robust Improvement Request and Customer Feedback process	<ul style="list-style-type: none"> <li>Applied a diversified approach in obtaining Customer Feedback through MMA and PAM interaction and written communication which were collated and reported in a central document management system.</li> </ul>
Regularly review and monitor the impact that service providers' have on the MMA's Business Management System and make adjustments accordingly	<ul style="list-style-type: none"> <li>The BMS was expanded to provide advanced information on critical infrastructure, usage information to the market user and mitigate failure risk.</li> </ul>
Ensure the continual development of business systems that support new revenue initiatives and operating environments	<ul style="list-style-type: none"> <li>A CCTV upgrade with expanded memory provided significant increases of the detection of stolen or misplaced produce. In addition, the expanded system identified opportunities for the cost recovery of asset damage, the illegal dumping of waste, inappropriate behaviour and identification of Operating Rule breaches.</li> <li>In the first three months of camera operation, 68 incidents of missing or misplaced produce were lodged, 53 were satisfactorily resolved with an estimated produce value of \$118k. Asset and Property damage had a 100 per cent identification rate.</li> </ul>
Maintain a safe operating environment through the auditing of MMA and service providers' systems, procedures and operational activities	<ul style="list-style-type: none"> <li>Strict adherence to the QMS internal audit schedule covered both MMA and PAM processes, where findings were addressed and actioned accordingly. 100 per cent of scheduled audits were completed.</li> </ul>
Review and update MMA ISO9001 certification	<ul style="list-style-type: none"> <li>ISO9001:2008 re-certification was attained in December 2016. Preparation for transition to ISO9001:2015 is advanced for certification in 2018.</li> </ul>

## Budget outcomes

The budget outcomes provide comparisons between the actual financial statements and the forecast financial information (initial budget estimates). The budget outcomes comprise the comprehensive operating statements, balance sheets, cash flow statements and statements of changes in equity.

The following budget outcomes statements are not subject to audit by the Victorian Auditor-General's Office.

(\$ thousand)					
<i>Five year financial summary</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
Total revenue	24,239	23,849	25,068	24,204	24,720
Total operating expenditure	(20,893)	(23,357)	(15,769)	(18,014)	(12,895)
Net profit before income tax & depreciation	3,346	492	9,299	6,190	11,825
Depreciation charge	(12,554)	(14,055)	(1,667)	(2,692)	(3,999)
Net result from transactions	(9,208 )	(13,563 )	7,632	3,498	7,826
Comprehensive result for the period	20,899	106,829	7,618	3,519	7,828
Net cash flow from operating activities	3,216	(429)	9,544	8,814	11,782
Total assets	634,619	615,342	508,331	120,589	114,273
Total liabilities	30,880	32,503	32,321	6,839	4,041

## Current year financial review

### Overview

The MMA recorded an operating profit before tax and depreciation of \$3.3 million for the 2016-17 financial year and had net cash inflow from operating activities of \$3.2 million.

The depreciation charge reflects usage of the Epping site for wholesale market activities. The land assets of both Epping and West Melbourne have been revalued at 30 June 2017. While the depreciation charge results in an accounting loss, it does not impact on the MMA's ability to produce a positive cash flow from operating activities.

### Financial performance business review

Income improved by 1.6 per cent on the prior period with growth in commercial revenues including electricity via the embedded network, LPG sales and additional parking revenue.

Expenses have decreased by 10.6 per cent with a reduction on the prior year in the cost of professional consultants now that the transition to Epping has been made and we are in more normalised operations. The expanded CCTV network has provided returns on investment with savings made in repairs and maintenance made possible through our increased ability to identify tenant damage and seek cost recoveries.

The overall comprehensive result is down on the prior year due to the revaluation increment on land and buildings in 2015-16.

### Financial position – balance sheet

Net assets increased by \$20.9 million over the year to \$603 million, predominantly due to a revaluation increment of \$30.1 million in relation to land held by the MMA and a decrease in receivables with debtors an operational focus throughout the year.

## **Cash flows**

Cash balances increased by \$1.46 million during the period. Focus on debtor management has resulted in a \$0.5 million increase to cash balances together with a reduction in net cash outflows from operational expenditure.

## **Capital projects/asset investment programs**

The MMA invested in a number of capital projects to improve site operations. The existing CCTV network was expanded to address black spots allowing the MMA to assist customers with produce tracking and also identify waste dumping across the site. Additional rapid rise roller doors were installed to complement existing buildings. Customer Relationship Management/ Enterprise Resource Planning software was upgraded to provide more mobile IT solutions. There were no projects of \$10 million or greater.

## **Subsequent events**

Subsequent to the reporting period, the MMA transferred control of the West Melbourne site (land and buildings) to VicTrack on 18 July 2017.

Board member Robyn Stewart resigned on 18 August 2017.

## SECTION 2: GOVERNANCE AND ORGANISATIONAL STRUCTURE

The MMA is established under the *Melbourne Market Authority Act 1977* (the Act). The members of the MMA Board are appointed by the Minister. The MMA has reported to the following Ministers during the reporting period:

The Hon. Jaala Pulford, MP, Minister for Agriculture, 1 July 2016 – 30 June 2017.

<b>Peter Tuohey</b>	Commenced as a Board member on 18 January 2017 and was appointed Chairperson until 17 January 2020.  Peter has attended six out of six Board meetings.	Commenced as a member of the MMA Marketing Committee and the MMA Remuneration Committee from February 2017.
<b>Gisela Marven</b>	Commenced as a Board member on 14 June 2011. Her appointment was extended on 22 February 2016 until 31 January 2019.  Gisela has attended 11 out of 12 Board meetings.	Continued as a member of the Fruit & Vegetable Growers Advisory Committee; the MMA Finance, Audit & Risk Management Committee and the Chair of the MMA Remuneration Committee.
<b>Jacinta Carboon</b>	Commenced as a Board member on 18 January 2017 and is appointed until 17 January 2020.  Jacinta has attended five out of six Board meetings.	Commenced as a member of the MMA Remuneration Committee the Chair of the MMA Marketing Committee from February 2017.
<b>Robyn Stewart*</b>	Commenced as a Board member on 18 January 2017 and is appointed until 17 January 2020.  Robyn has attended four out of six Board meetings.	Commenced as a member of the MMA Finance, Audit & Risk Management Committee from February 2017.
<b>Susan Friend</b>	Commenced as a Board member on 22 February 2016 and is appointed until 31 January 2019.  Susan has attended 12 out of 12 Board meetings.	Continued as a member of the Flower Industry Advisory Committee and the Chair of the MMA Finance, Audit & Risk Management Committee.
<b>Stephen McArthur</b>	Term as Board member and Chairperson expired on 17 January 2017.  Stephen attended six out of six Board meetings.	Stephen was a member of the MMA Remuneration Committee until January 2017.
<b>William Lewis</b>	Term as Board member expired on 17 January 2017.  William attended six out of six Board meetings.	William was a member of the MMA Remuneration Committee and the Fruit and Vegetable Retailers' Advisory Committee until January 2017.
<b>Russell Cooper</b>	Term as Board member expired on 17 January 2017.  Russell attended six out of six Board meetings.	Russell was a member of the MMA Finance, Audit & Risk Management Committee and a member of the Fruit & Vegetable Wholesalers' Advisory Committee until January 2017.

Note:

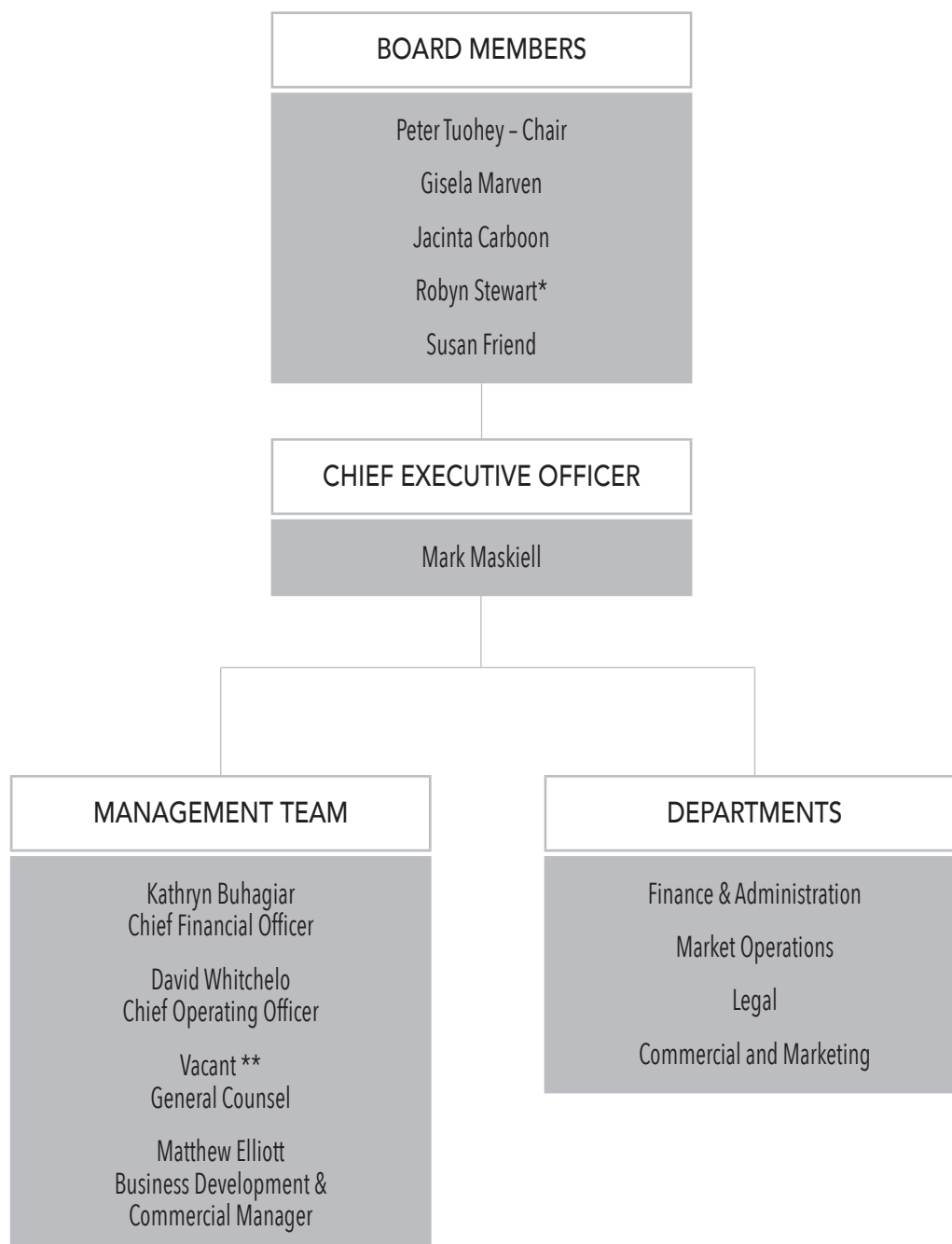
\* Robyn Stewart resigned from the Board on 18 August 2017.

## Audit

Oakton Services Pty Ltd – were contracted to provide internal audit consulting services during 2016-17.

HLB Mann Judd – as a service provider for the Victorian Auditor-General, were contracted to undertake annual financial audit services during 2016-17.

## Organisational Chart



*Note:*

\* Robyn Stewart resigned from the Board on 18 August 2017.

\*\* Kirsty Harvison resigned on 30 March 2017, Nicola Pearl commenced on 3 July 2017.

## Audit Committee membership and roles

The MMA Finance, Audit & Risk Management Committee consisted of the following members in 2016-17:

- Susan Friend, Chairperson (independent);
- Robyn Stewart\* (*term commenced February 2017*);
- Gisela Marven (independent); and
- Russell Cooper (*term ended 17 January 2017*).

Key responsibilities of the MMA Finance, Audit & Risk Management Committee are to:

- review and report independently to the Board on the annual report and all other financial information published by the MMA;
- assist the Board in reviewing the effectiveness of the MMA's internal control environment covering:
  - effectiveness and efficiency of operations;
  - reliability of financial reporting; and
  - compliance with applicable laws and regulations;
- determine the scope of the internal audit function and ensure its resources are adequate and used effectively, including coordination with the external auditors; and
- oversee the effective operation of the risk management framework.

Members are appointed by the Board, usually for a three year term, and are subject to the committee's terms of reference.

*Note:*

\* Robyn Stewart resigned from the Board on 18 August 2017.

## Occupational health and safety

The MMA has identified a safe and healthy workplace as a corporate value within its Strategic Business Plan. The 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 Epping market site. This certification assists the 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.

The MMA's Workplace Health and Safety performance is also monitored and continuously improved through the implementation of MMA's ISO 9001:2008 certified Quality Management System. The MMA's Quality Management System helps ensure Workplace Health and Safety is incorporated into the overall management activities and systems.

### OHS incidents

Description	2016-17	2015-16
Number of LTIs (Number of incidents resulting in lost time)	1	1
Serious Injury Rate (Number of LTIs resulting in greater than one week of lost time)	1	0
Total hours lost for the period	45	4
Average cost of all LTI claims in this period	2 530	159
Fatalities	0	0

## Employment and conduct principles

The MMA's committed to applying merit and equity principles when appointing staff. The selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination. Employees have been correctly classified in workforce data selections.

## SECTION 3: WORKFORCE DATA

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### Public sector values and employment principles

The *Public Administration Act 2004* established the Victorian Public Sector Commission (VPSC). The VPSC's role is to strengthen public sector efficiency, effectiveness and capability, and advocate for public sector professionalism and integrity.

The MMA introduced policies and practices that are consistent with the VPSC's employment standards and provide fair treatment, career opportunities and the early resolution of workplace issues. The MMA advised its employees on how to avoid conflicts of interest, how to respond to offers of gifts and how it deals with misconduct.

The MMA Enterprise Bargaining Agreement 2013-2015 (EBA) governs the workplace arrangements for employees not covered by GSERP at the MMA.

### Comparative workforce data

The following table discloses the headcount and full-time staff equivalent (FTE) of all active public service employees of the MMA, employed in the last full pay period in June of the current reporting period, and in the last full pay period in June (2017) of the previous reporting period (2016).



**Table 1: Details of employment levels in June 2016 and June 2017**

	All employees		Jun-17 Ongoing		Fixed term and casual		All employees		Jun-16 Ongoing		Fixed term and casual	
	Number (headcount)	FTE	Full-time (headcount)	Part time (headcount)	FTE	Number (headcount)	FTE	Number (headcount)	Full-time (headcount)	Part time (headcount)	FTE	Number (headcount)
<b>Gender</b>												
Male	6	6	2	0	2	4	4	8	3	0	3	5
Female	12	11	8	0	8	4	3	12	7	0	7	5
<b>Age</b>												
15-24	0	0	0	0	0	0	0	1	0	0	0	1
25-34	7	7	5	0	5	2	2	6	5	0	5	1
35-44	4	4	2	0	2	2	2	6	1	0	1	5
45-54	7	6	3	0	3	4	3	6	3	0	3	3
55-64	0	0	0	0	0	0	0	1	1	0	1	0
65+	0	0	0	0	0	0	0	0	0	0	0	0
<b>VPS 1-6 grades</b>	<b>13</b>	<b>12</b>	<b>10</b>	<b>0</b>	<b>10</b>	<b>3</b>	<b>2</b>	<b>13</b>	<b>9</b>	<b>0</b>	<b>9</b>	<b>4</b>
VPS 1	1	1	1	0	1	0	0	1	1	0	1	0
VPS 2	1	1	0	0	0	1	1	2	0	0	0	2
VPS 3	2	2	2	0	2	0	0	1	1	0	1	0
VPS 4	2	2	2	0	2	0	0	3	3	0	3	0
VPS 5	2	2	2	0	2	0	0	2	1	0	1	1
VPS 6	1	1	1	0	1	0	0	1	1	0	1	0
VPS 7	4	3	2	0	2	2	1	3	2	0	2	1
<b>Senior employees</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>
STS	1	1	0	0	0	1	1	1				1
Executives	4	4	0	0	0	4	4	5				5
<b>Other</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total employees</b>	<b>18</b>	<b>17</b>	<b>10</b>	<b>0</b>	<b>10</b>	<b>8</b>	<b>7</b>	<b>18</b>	<b>9</b>	<b>0</b>	<b>9</b>	<b>9</b>

Note:

- (a) There is 1 VPS Grade 7 employee on paid parental leave, their fixed-term replacement is also included in the table above.
- (b) There is 1 VPS Grade 3 employee on paid WorkCover since 30 November 2013. This claim is being managed by the insurer, Allianz, through medical assessment of capacity to return to work.
- (c) There is 1 Executive vacancy in the table above, which was filled on 3 July 2017.

The following table discloses the annualised total salary for senior employees of the MMA, categorised by classification. The salary amount is reported as the full-time annualised salary.

**Table 2: Annualised total salary, by \$20 000 bands, for executives and other senior non-executive staff**

Income band (salary)	Executives	STS	PS	SMA	SRA	Other
< \$160 000	1	1				
\$160 000 - \$179 999						
\$180 000 - \$199 000	1					
\$200 000 - \$219 999	1					
<b>Total</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Note:

(a) There is one executive vacancy in the table above

## Executive officer data

For an entity, an executive officer (EO) is defined as a person employed as an executive under Part 3 of the *Public Administration Act 2004* (PAA). For a public body, an EO is defined as an executive under Part 3 of the PAA or a person to whom the Victorian Government's Policy on Executive Remuneration in the Public entities applies. All figures reflect employment levels at the last full pay period in June of the current and corresponding previous reporting year.

The definition of an EO does not include a statutory office holder or an accountable officer.

The following tables disclose the EOs of the MMA for 30 June 2017:

- Table 1 discloses the total number of EOs for the MMA, broken down by gender;
- Table 2 provides a reconciliation of executive numbers presented between the report of operations and Note 8.6 'Remuneration of executives' in the financial statements;
- Table 1 also discloses the variations, denoted by 'var', between the current and previous reporting periods

**Table 1: Total number of EOs for the MMA, broken down into gender**

	All		Male		Female	
Class	No.	Var.	No.	Var.	No.	Var.
MMA	3	(1)	2	0	1	(1)
<b>Total</b>	<b>3</b>	<b>(1)</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>(1)</b>

Note:

(a) There is one executive vacancy at the end of the reporting period, which was previously held by a female EO. This position was filled on 3 July 2017 by a female EO.

The number of executives in the Report of Operations is based on the number of executive positions that are occupied at the end of the financial year. Note 8.6 in the financial statements lists the actual numbers of EOs and total remuneration paid to EOs over the course of the reporting period. The financial statements note does not include the Accountable Officer, nor does it distinguish between executive levels or disclose separations. Separations are executives who have left the MMA during the relevant reporting period. To assist readers, these two disclosures are reconciled below.

**Table 2: Reconciliation of executive numbers**

		2017	2016
	Executives (Financial Statement Note 8.6)	3	5
	Accountable Officer (CEO)	1	1
<i>Less</i>	Separations	(1)	(1)
	<b>Total executive numbers at 30 June</b>	<b>4</b>	<b>5</b>

*Note:*

(a) *There is one executive vacancy at the end of the reporting period, which was filled on 3 July 2017.*

## SECTION 4: OTHER DISCLOSURES

### Local Jobs First – Victorian Industry Participation Policy

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

### Government Advertising Expenditure

The MMA's expenditure in the 2016-17 reporting period on government campaign expenditure did not exceed \$100 000.

### Consultancy Expenditure

#### Details of consultancies (valued at \$10 000 or greater)

In 2016-17, there were 12 consultancies where the total fees payable to the consultants were \$10 000 or greater. The total expenditure incurred during 2016-17 in relation to these consultancies is \$306 786 (excluding GST). Details of individual consultancies are outlined below.

(\$ dollars)						
<i>Consultant</i>	<i>Purpose of consultancy</i>	<i>Start date</i>	<i>End date</i>	<i>Total approved project fee (excl. GST)</i>	<i>Expenditure 2016-17 (excl. GST)</i>	<i>Future expenditure (excl. GST)</i>
Amec	Engineering services	Oct-16	Mar-16	19 156	19 156	nil
Ampersand International	Recruitment services	Dec-16	Dec-16	13 500	13 500	nil
Cardno	Traffic management	Jan-17	Jan-17	21 560	21 560	nil
Courtheath Consulting	Procurement support	Jul-16	Ongoing	14 543	14 543	Ongoing
Flagstaff Consulting	Design & building consulting	Nov-16	Nov-16	15 932	15 932	nil
Mahlab Recruitment	Recruitment services	Apr-17	May-17	30 386	30 386	nil
McKinna Et Al	Market insight & business planning	Jul-16	May-17	74 000	74 000	nil
Michelle Cieciora	HR services	Oct-16	Nov-16	13 675	13 675	nil
Norton Rose Fullbright	Legal advisory services	Jul-16	Ongoing	24 479	24 479	Ongoing
Root Projects	Project management	Nov-16	Dec-16	14 210	14 210	nil
Shave Recruitment	IT services	Jul-16	Jan-17	48 766	48 766	nil
The Sharp & Carter Unit	Recruitment services	Jul-16	Apr-17	16 579	16 579	nil

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

In 2016-17, there were 21 consultancies engaged during the year, where the total fee payable to the individual consultancies was less than \$10 000. The total expenditure during 2016-17 in relation to these consultancies was \$82 541 (excl. GST).

## Information and communication technology expenditure

### Details of information and communication technology (ICT) expenditure

For the 2016-17 reporting period, the MMA had a total ICT expenditure of \$678 640, with the details shown below.

(\$ dollars)			
<i>All operational ICT expenditure</i>	<i>ICT expenditure related to projects to create or enhance ICT capabilities</i>		
<i>Business As Usual (BAU) ICT expenditure</i>	<i>Non-Business As Usual (non-BAU) ICT expenditure</i>	<i>Operational expenditure</i>	<i>(non-BAU) ICT expenditure</i>
(Total)		(Total = Operational expenditure and capital expenditure)	
<b>376 937</b>	<b>301 703</b>	<b>25 647</b>	<b>276 056</b>

ICT expenditure refers to the MMA's costs in providing business enabling ICT services within the current reporting period. It comprises Business As Usual (BAU) ICT expenditure and Non-Business As Usual (Non-BAU) ICT expenditure. Non-BAU ICT expenditure relates to extending or enhancing the MMA's current ICT capabilities. BAU ICT expenditure is all the remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.

### Disclosure of Major Contracts

The MMA did not award any major contracts (valued at \$10 million or more) during 2016-2017.

A 'major contract' is a contract entered into during the reporting period valued at \$10 million or more.

## Freedom of Information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by the MMA. For the 12 months ending 30 June 2017, the MMA received one application from a MMA patron. The request received was acceded to.

### Making a request

Access to documents may be obtained through written request to the Freedom of Information Manager, as detailed in s17 of the *Freedom of Information Act 1982*. In summary, the requirements for making a request are:

- it should be in writing;
- it should identify as clearly as possible which document is being requested; and
- it should be accompanied by the appropriate application fee (the fee being waived in certain circumstances).

Requests for documents in the possession of the MMA should be addressed to:

MMA Privacy and FOI Manager  
Melbourne Market Authority  
Level 1, 55 Produce Drive  
Epping VIC 3076

Requests can also be lodged online at [www.foi.vic.gov.au](http://www.foi.vic.gov.au)

Access charges may also apply once documents have been processed and a decision on access is made for example, photocopying and search and retrieval charges.

Further information regarding freedom of information (FOI) can be found at [www.foi.vic.gov.au](http://www.foi.vic.gov.au)

## Compliance with the *Building Act 1993*

The MMA complied with the *Building Act 1993*, the Building Regulations 2006 and associated statutory requirements and amendments during the reporting period. Either an Occupancy Permit or a Certificate of Final Inspection, endorsed by a Registered Building Surveyor Practitioner, was obtained for new facilities or upgrades to existing facilities. These were either undertaken directly by the MMA or Plenary Asset Management (PAM) as an agent of the MMA or as works to tenancies undertaken by the Tenants themselves.

Major Works Projects undertaken by the MMA commenced or completed in 2016 -17 included:

- Recycle Transfer Facility
- Administration building ground floor office subdivision

Major tenant initiated works included:

- Fresh State LPG station canopy
- Stores 35-37 Louis of Melbourne – office within ground floor tenancy
- Stores 41 Prestige Produce – office within ground floor tenancy
- Stores 53-57 Barkers – cashiers office relocation within ground floor tenancy
- Stores 117 Fresh Berries – cashiers office within ground floor tenancy
- Stores 93, 95 and 97 Premier Fruits Group – reconfigured tenancy including removing walls and existing offices and constructing new cashiers office
- Warehouse 6.13 and adjoining office area – modifications to existing areas including installing doors and windows between warehouse and office area

Compliance to codes and regulations was monitored through annual inspections undertaken by a Registered Building Surveyor and Practitioner. Any breaches identified were reported and remedial actions undertaken which could include issuing Tenant lease breach notifications.

Quality and compliance of all other maintenance work was managed through PAM. In turn PAM engaged suitably qualified and accredited contractors to undertake works.

## National Competition Policy

Under the National Competition Policy (NCP), the guiding legislative principle is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that:

- the benefits of the restriction to the community as a whole outweigh the costs; and
- the objectives of the legislation can only be achieved by restricting competition.

The MMA continues to comply with the requirements of the NCP.

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned. Competitive neutrality policy supports fair completion between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

The MMA is working to ensure that Victoria fulfils its requirements on competitive neutrality reporting for technological based businesses against the enhanced principles as required under the Competition and Infrastructure Reform Agreement.

## Compliance with the *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. The 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.

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 the 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 3001, 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.

## Compliance with the *Carers Recognition Act 2012*

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



## Office based environmental impacts

The MMA's focus has been reducing its environmental impact in the areas of energy and paper consumption, waste generation, water consumption, and green procurement.

### Energy

The MMA has an embedded network supplied by SP Ausnet with two ring mains. The infrastructure from the boundary to the market is owned, operated and maintained by the MMA. Ring main one supplies the trading market and ring two supplies the warehouse precinct.

The energy increase during the current reporting period was due to increased consumption in the warehouse precinct with expanded ripening room capacity, additional warehousing occupancy, and additional power resources for the recharging of the expanding electrical vehicle fleet.

The natural gas consumption increase is due to expanded tenancy within the administration building, water and air conditioning and the new connection to the Flower Market café.

Indicator	2016-17			2015-16		
	Electricity	Natural gas	Total	Electricity	Natural gas	Total
Total energy usage segmented by primary source (MJ)	46,193,181	2,110,019	<b>48,303,200</b>	33,823,281	1,312,856	<b>35,136,137</b>
Greenhouse gas emissions associated with energy use, segmented by primary source and offsets (t CO <sub>2</sub> e)	17,581	111	<b>17,692</b>	13,605	69	<b>13,674</b>

#### Actions undertaken

Preparation for energy reduction programs including light fittings with LED luminaires.

The following targets have been set for 2017-18:

- LED luminaires implementation throughout the market

The MMA is committed to reducing its environmental impact and to achieve savings in energy and CO<sub>2</sub> emissions. Following an exhaustive investigation, the MMA determined that replacing all current light fittings with highly efficient LED luminaires will deliver a substantial reduction in energy consumption. This project is fully aligned with the *Climate Change Act 2017* and is a key component of the overall objective of ensuring the Melbourne Market is a sustainable enterprise. It supports the Victorian Government's aspirations for Victoria becoming a leader in long term emission reduction programs.

## Waste

The waste generated by processes within the Melbourne Market is divided into three general classes – landfill, organics and recycling.

The promotion and education of waste management practices with market users and identifying cost reduction with waste segregation practices at the point of generation were the primary drivers for the reduction in landfill deposits and the increase in recycled waste during the reporting period.

The partnership with the Yarra Valley Waste to Energy facility further enhanced the reduction in landfill deposits. The Melbourne Market delivered 315 000 kilograms of organic waste to the facility in seven months to the end of June 2017.

Indicator	2016-17				2015-16			
	Landfill	Commingled recycling	Organics	Total	Landfill	Commingled recycling	Organics	Total
Total units of waste disposed of by destination (kg/yr)	862,290	1,377,630	895,590	<b>3,169,510</b>	3,880,000	1,474,130	1,258,590	<b>6,612,720</b>
Units of waste disposed of per FTE by destinations (kg/FTE)	51,511	79,174	51,471	<b>182,156</b>	222,989	84,720	72,333	<b>380,042</b>
Recycling rate (percentage of total waste)			72	<b>72</b>			41	<b>41</b>
Greenhouse gas emissions associated with waste disposal (t CO <sub>2</sub> e)			807	<b>807</b>			3,493	<b>3,493</b>
<b>Actions undertaken</b>								
Increased separation of recyclables at the point of generation, reduced general waste by an average of 63 per cent annually.								

### Targets

The following targets have been set for 2017-18:

- Increase total recycling to 90 per cent;
- Investigate a cost neutral solution for general waste; and
- Increase clean organic waste volume to Yarra Valley Water Waste to Energy facility by more efficient separation.

## Paper

The MMA is becoming more efficient in relation to paper use. There was a 26 per cent reduction in the total reams of paper used in the reporting period following initiatives and efficiencies developed and implemented during the past financial year.

The introduction of Sharepoint encourages a paperless office environment by allowing employees to share documents electronically. It commenced during the reporting period and provided reductions in consumption.

Digital and electronic communication to the market community increased versus traditional forms of print communication.

Indicator	2016-17	2015-16
Total units of copy paper used (reams)	445	561
Units of copy paper used per FTE (reams/FTE)	26	32
Percentage of 50-74% recycled content copy paper purchased	100%	100%

### Actions undertaken

Invested in Sharepoint to electronically share documents.  
General communications are delivered by digital channels.

### Targets

The following targets have been set for 2017-18:

- Investigating electronic monthly invoices for tenants to reduce paper usage by approximately 15 per cent; and
- Consolidate service provider invoices into one invoice.

## Water

The water consumption during the reporting period has decreased by 5.5 per cent compared to the previous reporting period.

The contributing factors were an increase in the water catchment of reuse water and the modification of the floatation device which activated the top up firewater tanks from the town supply. This increased the volume of reuse water to the firewater tanks.

Indicator	2016-17	2015-16
Total units of metered water consumed by usage types (kilolitres)	30,159,000	31,923,610
Units of metered water consumed in offices per FTE (kilolitres/FTE)	1,773,276	1,834,690

### Actions undertaken

Increase in the water catchment of reuse water.

### Targets

The following targets have been set for 2017-18:

- Reduce water consumption by 15 per cent by expanding treated water capability and redirection to firewater storage tanks.

## Transport

The MMA does not have a fleet of vehicles.

Aeroplane travel increased during the reporting period which included long-haul flights to attend an industry conference overseas and domestic flights to attend three industry conferences.

	2016-17				2015-16			
Operational vehicles	4 cyl diesel van	6 cyl	4WD	Total	4 cyl diesel van	6 cyl	4WD	Total
Greenhouse gas emissions from vehicle fleet per 1 000km travelled (t CO2 e)				-		5.32		5.32
					2016-17			
Total distance travelled by aeroplane (km)					104,772			
					86,015			

## Greenhouse gas emissions

The emissions disclosed in the section below are taken from the previous sections and brought together here to show the MMA's greenhouse footprint.

Indicator	2016-17	2015-16
Total greenhouse gas emissions associated with energy use (t CO <sub>2</sub> e)	17,581	13,605
Total greenhouse gas emissions associated with vehicle fleet (t CO <sub>2</sub> e)	-	5
Total greenhouse gas emissions associated with air travel (t CO <sub>2</sub> e)	26	20
Total greenhouse gas emissions associated with waste production (t CO <sub>2</sub> e)	807	3,493
<b>Actions undertaken</b>		
All the actions undertaken in the energy and waste sectors will help to reduce the MMA's impacts.		

### Targets

The following targets have been set for 2017-18:

- The LED light fitting replacement throughout the site will remove approximately 6 900 tonnes of greenhouse gas emissions.

## Additional information available on request

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by the MMA and are available on request, subject to the provisions of the *Freedom of Information Act 1982*:

- A statement that declarations of pecuniary interests have been duly completed by all relevant officers
- Details of changes in prices, fees, charges, rates and levies charged by the MMA;
- Details of assessments and measures undertaken to improve the occupational health and safety of employees;
- Details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit;
- A general statement on industrial relations within the MMA, and details of time lost through industrial accidents and disputes; and
- Details of major promotional, public relations and marketing activities undertaken by the MMA to develop community awareness of the entity and its services.

The information is available on request from:

General Counsel  
Melbourne Market Authority  
(03) 9258 6100  
info@melbournemarket.com.au

## Additional information included in annual report

Details in respect of the following items have been included in the MMA's annual report, on the pages indicated below:

- A list of the MMA's major committees and the purposes of each committee on page 12; and
- Details of all consultancies and contractors including consultant/contractors engaged; services provided; and expenditure committed for each engagement on page 19.

### **Attestation for compliance with Ministerial Standing Direction 3.7.1**

I, Mark Maskiell, certify that the MMA has complied with the Ministerial Standing Direction 3.7.1 - Risk management framework and processes. The MMA's Finance, Audit & Risk Management (Audit) Committee has verified this.



Mark Maskiell  
Chief Executive Officer  
Melbourne Market Authority

### **Compliance with DataVic Access Policy**

Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, all data tables included in this Annual Report will be available at [www.data.vic.gov.au](http://www.data.vic.gov.au) in electronic readable format.

# MELBOURNE MARKET AUTHORITY

## DISCLOSURE INDEX

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

<i>Legislation</i>	<i>Requirement</i>	<i>Page reference</i>
<i>Ministerial Directions and Financial Reporting Directions</i>		
<i>Report of operations</i>		

### Charter and purpose

FRD 22H	Manner of establishment and the relevant Ministers	Page 12
FRD 22H	Purpose, functions, powers and duties	Page 04
FRD 8D	Departmental objectives, indicators and outputs	Page 06
FRD 22H	Key initiatives and projects	Page 06
FRD 22H	Nature and range of services provided	Page 04

### Management and structure

FRD 22H	Organisational structure	Page 13
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### Financial and other information

FRD 8D	Performance against output performance measures	Page 06
FRD 8D	Budget portfolio outcomes	Page 10
FRD 10A	Disclosure index	Page 29
FRD 12B	Disclosure of major contracts	Page 20
FRD 15D	Executive officer disclosures	Page 17
FRD 22H	Employment and conduct principles	Page 14
FRD 22H	Occupational health and safety policy	Page 14
FRD 22H	Summary of the financial results for the year	Page 10
FRD 22H	Significant changes in financial position during the year	Page 10
FRD 22H	Major changes or factors affecting performance	Page 10
FRD 22H	Subsequent events	Page 11
FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	Page 21
FRD 22H	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	Page 22
FRD 22H	Statement on National Competition Policy	Page 23
FRD 22H	Application and operation of the <i>Protected Disclosure Act 2012</i>	Page 23
FRD 22H	Application and operation of the <i>Carers Recognition Act 2012</i>	Page 23
FRD 22H	Details of consultancies over \$10 000	Page 19
FRD 22H	Details of consultancies under \$10 000	Page 19
FRD 22H	Disclosure of government advertising expenditure	Page 19
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# MELBOURNE MARKET AUTHORITY

FRD 22H	Statement of availability of other information	Page 27
FRD 24C	Reporting of office based environmental impacts	Page 24
FRD 25C	Victorian Industry Participation Policy disclosures	Page 19
FRD 29B	Workforce Data disclosures	Page 15
SD 5.2	Specific requirements under Standing Direction 5.2	Page 05

## Compliance attestation and declaration

SD 3.7.1	Attestation for compliance with Ministerial Standing Direction	Page 28
SD 5.2.3	Declaration in report of operations	Page 03

## Financial Statements

### Declaration

SD 5.2.2	Declaration in financial statements	Page 33
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### Other requirements under Standing Direction 5.2

SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	Page 33
SD 5.2.1(a)	Compliance with Ministerial Directions	Page 33
SD 5.2.1(b)	Compliance with Model Financial Report	Page 78

### Other disclosures as required by FRDs in notes to the financial statements (a)

FRD 9A	Departmental Disclosure of Administered Assets and Liabilities by Activity	N/A
FRD 11A	Disclosure of Ex gratia Expenses	Page 70
FRD 21C	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	Page 71
FRD 103F	Non Financial Physical Assets	Page 48
FRD 110A	Cash Flow Statements	Page 58
FRD 112D	Defined Benefit Superannuation Obligations	Page 43

Note:

(a) References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are of the nature of disclosure.

## Legislation

<i>Freedom of Information Act 1982</i>	Page 21
<i>Building Act 1993</i>	Page 22
<i>Protected Disclosure Act 2012</i>	Page 23
<i>Carers Recognition Act 2012</i>	Page 23
<i>Victorian Industry Participation Policy Act 2003</i>	Page 19
<i>Financial Management Act 1994</i>	Page 33

# MELBOURNE MARKET AUTHORITY

## MELBOURNE MARKET AUTHORITY - FINANCIAL STATEMENTS

### How this report is structured

The Melbourne Market Authority (MMA) has presented its audited general purpose financial statements for the financial year ended 30 June 2017 in the following structure to provide users with the information about the MMA's stewardship of resources entrusted to it.

<b>Financial Statements</b>	Comprehensive operating statement	36
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	Cash flow statement	38
	Statement of changes in equity	39
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# MELBOURNE MARKET AUTHORITY

## DECLARATION IN THE FINANCIAL STATEMENTS

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The attached financial statements for the Melbourne Market Authority (MMA) have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under 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 2017 and financial position of the MMA at 30 June 2017.

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 30 August 2017.



K Buhagiar  
Chief Financial Officer

Melbourne  
30 August 2017



M Maskiell  
Chief Executive Officer

Melbourne  
30 August 2017

# Independent Auditor's Report

## To the Board Members of the Melbourne Market Authority

<b>Opinion</b>	<p>I have audited the financial report of the Melbourne Market Authority (the authority) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2017</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including a summary of significant accounting policies</li> <li>• declaration in the financial statements.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the authority as at 30 June 2017 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Other information</b>	<p>The Board members of the authority are responsible for the Other Information, which comprises the information in the authorities' annual report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon.</p> <p>My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.</p>
<b>Board member's responsibilities for the financial report</b>	<p>The Board members of the authority are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal controls as the Board members determine is necessary to enable the preparation and fair presentation of the a financial report that is free from material misstatement, whether due to fraud or error.</p>

<b>Board responsibilities (continued)</b>	In preparing the financial report, the Board members are responsible for assessing the authority's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.
<b>Auditor's responsibilities for the audit of the financial report</b>	<p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.</p> <p>As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:</p> <ul style="list-style-type: none"> <li>• identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.</li> <li>• obtain an understanding of internal control relevant to the audit 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 authority's internal control</li> <li>• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board members</li> <li>• conclude on the appropriateness of the Board members use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the authority to cease to continue as a going concern.</li> <li>• evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.</li> </ul> <p>I communicate with the Board members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.</p>

MELBOURNE  
4 September 2017

  
Anna Higgs  
as delegate for the Auditor-General of Victoria

# MELBOURNE MARKET AUTHORITY

## Comprehensive operating statement

For the financial year ended 30 June 2017

(\$ dollars)

	Notes	2017	2016
<b>Continuing operations</b>			
<b>Income from transactions</b>			
Interest revenue	2.2.1	578,576	711,828
Rental income	2.2.2	20,093,590	19,800,399
Parking	2.2.2	3,175,582	3,003,120
Other income	2.2.3	390,962	333,534
<b>Total income from transactions</b>		<b>24,238,710</b>	<b>23,848,881</b>
<b>Expenses from transactions</b>			
Employee expenses	3.1.1	(2,716,197)	(2,930,757)
Depreciation and amortisation	4.1.1	(12,553,862)	(14,055,251)
Interest expense	6.1	(953,945)	(985,064)
Other operating expenses	3.2	(17,222,899)	(19,441,500)
<b>Total expenses from transactions</b>		<b>(33,446,903)</b>	<b>(37,412,572)</b>
<b>Net result from transactions (net operating balance)</b>		<b>(9,208,193)</b>	<b>(13,563,691)</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non-financial assets	8.2	(3,064)	24,569
Other gains/(losses) from other economic flows	8.2	(1,136)	554
<b>Total Other economic flows included in net result</b>		<b>(4,200)</b>	<b>25,123</b>
<b>Net result</b>		<b>(9,212,393)</b>	<b>(13,538,568)</b>
<b>Other economic flows - other comprehensive income:</b>			
<b>Items that will not be reclassified to net result</b>		-	-
Changes in physical asset revaluation surplus	8.4	30,111,111	120,367,734
<b>Total other economic flows - other comprehensive income</b>		<b>30,111,111</b>	<b>120,367,734</b>
<b>Comprehensive result</b>		<b>20,898,718</b>	<b>106,829,166</b>

The above comprehensive operating statement should be read in conjunction with accompanying notes.

# MELBOURNE MARKET AUTHORITY

## Balance sheet

As at 30 June 2017		(\$ dollars)	
	Notes	2017	2016
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	6.2	7,368,482	5,904,651
Receivables	5.1	1,967,674	2,535,862
Investments and other financial assets	4.3	25,000,000	25,000,000
<b>Total financial assets</b>		<b>34,336,156</b>	<b>33,440,513</b>
<b>Non-financial assets</b>			
Non-financial physical assets classified as held for distribution	8.3	144,000,000	-
Property, plant & equipment	4.1	455,711,744	581,487,316
Intangible assets	4.2	233,645	152,146
Prepayments	5.3	337,255	262,377
<b>Total non-financial assets</b>		<b>600,282,644</b>	<b>581,901,839</b>
<b>Total assets</b>		<b>634,618,800</b>	<b>615,342,352</b>
<b>Liabilities</b>			
Payables	5.2	7,639,380	8,221,524
Borrowings	6.1	23,000,000	24,000,000
Employee related provisions	3.1.2	240,880	281,006
<b>Total liabilities</b>		<b>30,880,260</b>	<b>32,502,530</b>
<b>Net assets</b>		<b>603,738,540</b>	<b>582,839,822</b>
<b>Equity</b>			
Accumulated surplus		44,515,158	53,727,551
Physical asset revaluation surplus	8.4	201,416,645	171,305,534
Contributed capital		357,806,737	357,806,737
<b>Net worth</b>		<b>603,738,540</b>	<b>582,839,822</b>

The above balance sheet should be read in conjunction with accompanying notes.

# MELBOURNE MARKET AUTHORITY

## Cash flow statement

For the financial year ended 30 June 2017

(\$ dollars)

	Notes	2017	2016
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from customers		23,460,145	22,884,133
Receipts from government		221,676	163,624
Other receipts		169,286	169,912
Interest received		549,456	711,828
<b>Total receipts</b>		<b>24,400,563</b>	<b>23,929,497</b>
<b>Payments</b>			
Payments to suppliers and employees		(19,701,237)	(23,783,316)
Goods and services tax paid to the ATO (a)		(529,808)	(242,979)
Interest Expense		(953,945)	(332,667)
<b>Total payments</b>		<b>(21,184,990)</b>	<b>(24,358,962)</b>
<b>Net cash flows from operating activities</b>	6.2.1	<b>3,215,573</b>	<b>(429,465)</b>
<b>Cash flows from investing activities</b>			
Payments for investments		-	(25,000,000)
Purchases of non financial assets		(748,678)	(5,971,552)
Proceeds from disposals of PPE		(3,064)	97,597
<b>Net cash flows used in investing activities</b>		<b>(751,742)</b>	<b>(30,873,955)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(1,000,000)	(1,000,000)
<b>Net cash flows used in financing activities</b>		<b>(1,000,000)</b>	<b>(1,000,000)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,463,831</b>	<b>(32,303,420)</b>
Cash at the beginning of the financial year		5,904,651	38,208,071
<b>Cash at the end of the financial year</b>	6.2	<b>7,368,482</b>	<b>5,904,651</b>

Note:

(a) GST paid to the Australian Taxation Office is presented on a net basis.

The above cash flow statement should be read in conjunction with accompanying notes.

# MELBOURNE MARKET AUTHORITY

## Statement of changes in equity

For the financial year ended 30 June 2017

(\$ dollars)

	Notes	Physical asset revaluation surplus	Accumulated surplus	Contributed capital	Total
<b>Balance at 1 July 2015</b>		<b>50,937,800</b>	<b>67,266,119</b>	<b>357,806,737</b>	<b>476,010,656</b>
Net result for the year			(13,538,568)		(13,538,568)
Other comprehensive income for the year*	8.4	120,367,734			120,367,734
<b>Balance at 30 June 2016</b>		<b>171,305,534</b>	<b>53,727,551</b>	<b>357,806,737</b>	<b>582,839,822</b>
Net result for the year			(9,212,393)		(9,212,393)
Other comprehensive income for the year*	8.4	30,111,111			30,111,111
<b>Balance at 30 June 2017</b>		<b>201,416,645</b>	<b>44,515,158</b>	<b>357,806,737</b>	<b>603,738,540</b>

\*Note:

(2016) Valuer-General Victoria (VGV) and 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

(2017) Management revaluation of land was performed in line with VGV land indices as at 30 June 2017, and resulted in a revaluation increment of \$30,111,111

The above statement of changes in equity should be read in conjunction with accompanying notes.



# MELBOURNE MARKET AUTHORITY

## 1. ABOUT THIS REPORT

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The Melbourne Market Authority (MMA) is a government entity of the State of Victoria, established under the *Melbourne Market Authority Act (1977)*.

Its principal address is:  
Melbourne Market Authority  
1/55 Produce Drive  
Epping VIC 3076

The MMA operates a wholesale fruit, vegetable and flower market based in Epping, VIC. It works to ensure efficient trade and distribution of fresh produce.

### Basis of preparation

These annual financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The accrual basis of accounting has been applied in preparing 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.

Consistent with the requirements of AASB 1004 Contributions, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the entity.

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 to or distributions by owners have also been designated as contributions by owners.

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. 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 applying AAS that have significant effects on the financial statements and estimates are disclosed in the notes under the heading: 'Significant judgement or estimates'.

These financial statements cover the MMA as an individual reporting entity and include all the controlled activities of the MMA.

All amounts in the financial statements have been rounded to the nearest \$1 unless otherwise stated.

### Compliance Information

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

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure 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.

# MELBOURNE MARKET AUTHORITY

## 2. FUNDING DELIVERY OF OUR SERVICES

### Introduction

The Melbourne Market Authority's (MMA's) overall objective is to provide a commercially viable wholesale facility for the efficient distribution of fresh produce, optimise return on land and assets and ensure a fair and competitive environment for the wholesale trading of produce.

To enable the MMA to fulfil its objective it receives rental income. It also receives fees based on site usage including parking, LPG sales and other investment income.

### Structure

- 2.1 Summary of income that funds the delivery of our services
- 2.2 Income from Transactions

### 2.1. SUMMARY OF INCOME THAT FUNDS THE DELIVERY OF OUR SERVICES

		(\$ dollars)	
	Notes	2017	2016
Interest	2.2.1	578,576	711,828
Rental income	2.2.2	20,093,590	19,800,399
Parking income	2.2.2	3,175,582	3,003,120
Other income	2.2.3	390,962	333,534
<b>Total income from transactions</b>		<b>24,238,710</b>	<b>23,848,881</b>

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

### 2.2. INCOME FROM TRANSACTIONS

#### 2.2.1. INTEREST INCOME

	(\$ dollars)	
	2017	2016
<b>Interest from Financial assets not at fair value through profit and loss</b>		
Interest on bank deposits	578,576	711,828
<b>Total Interest from financial assets not at fair value through profit and loss</b>	<b>578,576</b>	<b>711,828</b>

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.

# MELBOURNE MARKET AUTHORITY

## 2.2.2. RENTAL AND PARKING INCOME

	(\$ dollars)	
	2017	2016
<b>Rental and parking income</b>		
- Fruit and vegetable trading stands	2,820,727	3,071,293
- Wholesale stores and warehouses	9,084,481	9,532,522
- Flower trading stands	1,343,011	1,334,912
- Other commercial rents	6,845,371	5,861,672
<b>Total rental income 2017</b>	<b>20,093,590</b>	<b>19,800,399</b>
- Parking	3,175,582	3,003,120
<b>Total rental and parking income</b>	<b>23,269,172</b>	<b>22,803,519</b>

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.

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

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.

In the event lease incentives are given to the lessee, the aggregate cost of incentives is recognised as a reduction of rental income over the lease term, on a straight line basis unless another systematic basis is more representative of the time pattern over which the economic benefit of the leased asset is diminished.

	(\$ dollars)	
	2017	2016
<b>Non-cancellable operating lease receivables</b>		
Not longer than one year	10,822,988	10,121,996
Longer than one year but not longer than five years	19,540,142	28,033,556
Longer than five years	519,263	764,358
<b>Total non-cancellable operating lease receivables</b>	<b>30,882,393</b>	<b>38,919,910</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.*

## 2.2.3. OTHER INCOME

	(\$ dollars)	
	2017	2016
Marketing revenues	89,161	130,386
Other	301,801	203,148
<b>Total other income</b>	<b>390,962</b>	<b>333,534</b>

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

# MELBOURNE MARKET AUTHORITY

## 3. THE COST OF DELIVERING SERVICES

### Introduction

This section provides an account of the expenses incurred by the Melbourne Market Authority (MMA) in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

### Structure

- 3.1 Expenses incurred in delivery of service
- 3.2 Other operating expenses

### 3.1. EXPENSES INCURRED IN DELIVERY OF SERVICES

		(\$ dollars)	
	Notes	2017	2016
Employee benefit expenses	3.1.1	2,716,197	2,930,757
Other operating expenses	3.2	17,222,899	19,462,330
<b>Total expenses incurred in delivery of services</b>		<b>19,939,096</b>	<b>22,393,087</b>

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

#### 3.1.1. EMPLOYEE BENEFITS IN THE COMPREHENSIVE OPERATING STATEMENT

	(\$ dollars)	
	2017	2016
Defined contribution superannuation expense	205,767	234,488
Defined benefit superannuation expense	1,169	11,967
Salaries and wages, annual leave and long service leave	2,509,261	2,684,302
<b>Total employee expenses</b>	<b>2,716,197</b>	<b>2,930,757</b>

Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, termination payments and WorkCover premiums.

The amount recognised in the comprehensive operating statement in relation to superannuation is employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period. The entity does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. Instead, the Department of Treasury and Finance (DTF) discloses in its annual financial statements the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the state as the sponsoring employer).

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the MMA is demonstrably committed to 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.

# MELBOURNE MARKET AUTHORITY

## 3.1.2. EMPLOYEE BENEFITS IN THE BALANCE SHEET

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an employee expense during the period the services are delivered.

	(\$ dollars)	
	2017	2016
<b>Current provisions:</b>		
<b>Annual leave</b>		
Unconditional and expected to settle within 12 months	89,132	72,458
Unconditional and expected to settle after 12 months	35,232	50,345
<b>Long service leave</b>		
Unconditional and expected to settle within 12 months	15,035	60,777
Unconditional and expected to settle after 12 months	60,140	67,883
<b>Provisions relating to employee benefit on-costs</b>		
Unconditional and expected to settle within 12 months	15,480	6,455
Unconditional and expected to settle after 12 months	14,173	5,728
<b>Total current provisions for employee benefits</b>	<b>229,192</b>	<b>263,646</b>
<b>Non-current provisions:</b>		
Employee benefits	10,176	16,549
On-costs	1,512	811
<b>Total non-current provisions for employee benefits</b>	<b>11,688</b>	<b>17,360</b>
<b>Total provisions for employee benefits</b>	<b>240,880</b>	<b>281,006</b>

## Reconciliation of movement in on-cost provision

	(\$ dollars)	
	2016	
<b>Opening balance</b>	<b>12,994</b>	<b>55,567</b>
Additional provisions recognised	25,676	26,943
Reductions arising from payment/other sacrifices of future economic benefits	(7,505)	(69,516)
<b>Closing Balance</b>	<b>31,165</b>	<b>12,994</b>
Current	29,653	12,183
Non-current	1,512	811

**Wages and salaries, annual leave and sick leave:** Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, because the MMA does not have an unconditional right to defer settlements of these liabilities.

The liability for salaries and wages are recognised in the balance sheet at remuneration rates which are current at the reporting date. As the MMA expects the liabilities to be wholly settled within 12 months of reporting date, they are measured at undiscounted amounts.

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as the MMA does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income as it is taken.

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

**Unconditional LSL** is disclosed as a current liability; even where the MMA does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- undiscounted value - if the entity expects to wholly settle within 12 months; or
- present value- if the entity does not expect to wholly settle within 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 is measured at the 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' in the net result.

# MELBOURNE MARKET AUTHORITY

## 3.1.3. SUPERANNUATION CONTRIBUTIONS

Employees of the entity are entitled to receive superannuation benefits and the entity contributes to both defined benefit and defined contribution plans. The defined benefit plan provides benefits based on years of service and final average salary.

As noted before, the defined benefit liability is recognised in DTF as an administered liability. However, superannuation contributions paid or payable for the reporting period are included as part of the employee benefits in the comprehensive operating statement of the entity.

	(\$ dollars)			
	<i>Paid contribution for the year</i>		<i>Contribution outstanding at year end</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<b>Defined benefit plans</b>				
Vision Super	1,169	11,967	-	-
<b>Defined contribution plans</b>				
Vision Super	21,323	43,810	2,437	-
Harwhitch Super Fund	19,627	19,553	2,152	1,332
Australian Super	26,117	27,110	3,719	2,600
Unisuper	18,927	12,306	2,569	-
Colonial Master Fund	28,479	28,684	2,986	-
IOOF Life Track	15,149	6,637	1,719	1,118
BT Super	14,205	-	690	-
REST	10,857	16,109	629	-
Legal Super	-	12,808	-	-
CBUS	9,543	10,253	1,043	-
Sunsuper	7,845	7,886	855	-
Vic Super	6,578	12,246	32	933
MLC Masterkey	5,943	2,973	1,023	-
Hostplus	5,609	13,684	660	-
Superwrap - Personal Super	5,438	5,167	658	-
Media Super	3,304	-	901	-
IOOF	-	6,724	-	-
Other	6,823	8,538	1,382	2,037
<b>Total</b>	<b>206,936</b>	<b>246,455</b>	<b>23,455</b>	<b>8,020</b>

# MELBOURNE MARKET AUTHORITY

## 3.2. OTHER OPERATING EXPENSES

	(\$ dollars)	
	2017	2016
Supplies & services		
Market operations	5,945,333	5,765,977
Repairs and maintenance	1,878,179	2,243,542
Fuels, rates and taxes	3,739,295	5,502,203
Marketing and media	272,289	390,167
Audit and insurance	653,158	791,874
Professional services	3,351,476	3,555,102
Other	1,198,768	1,129,970
<b>Subtotal</b>	<b>17,038,498</b>	<b>19,378,835</b>
Bad debts from transactions	167,741	62,665
Ex-gratia expense	16,660	20,830
<b>Total other operating expenses</b>	<b>17,222,899</b>	<b>19,462,330</b>

Other operating expenses generally represent the day-to-day running costs incurred in normal operations. It also includes bad debts expense from transactions that are mutually agreed.

**Supplies and services** are recognised as an expense in the reporting period in which they are incurred.



# MELBOURNE MARKET AUTHORITY

## 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

### Introduction

The Melbourne Market Authority (MMA) controls property and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the resources that have been entrusted to the MMA to be utilised for delivery of those outputs.

### Structure

- 4.1 Total property, plant and equipment
- 4.2 Intangible assets
- 4.3 Investments and other financial assets

### 4.1. TOTAL PROPERTY, PLANT AND EQUIPMENT

(\$ dollars)

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2017	2016	2017	2016	2017	2016
Land at fair value	61,111,111	175,000,000	-	-	61,111,111	175,000,000
Buildings at fair value	406,010,758	459,825,048	12,206,720	54,455,048	393,804,038	405,370,000
Capital Works in Progress	86,269	298,707	-	-	86,269	298,707
Plant, equipment and vehicles at fair value						
- Market Equipment	619,055	584,650	385,336	313,181	233,719	271,469
- Motor vehicles	358,805	358,805	245,080	206,972	113,725	151,833
- Computer Equipment	732,748	681,896	397,379	322,307	335,369	359,590
- Office Plant and Equipment	60,229	60,229	32,716	24,512	27,513	35,717
<b>Net carrying amount</b>	<b>468,978,975</b>	<b>636,809,335</b>	<b>13,267,231</b>	<b>55,322,020</b>	<b>455,711,744</b>	<b>581,487,316</b>

**Initial recognition:** Items of property, plant and equipment, 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.

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.

**Subsequent measurement:** Property, plant and equipment (PPE) are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest & best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset) and is summarised below by asset category.

**Non-specialised land and non-specialised buildings** are valued using the market approach, whereby assets are compared to recent comparable sale or sales of comparable assets that are considered to have nominal value.

**Specialised land and specialised buildings:** The market approach is also used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that it is also equally applicable to market participants.

For the majority of the entity's specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciation.

**Vehicles** are valued using the depreciated replacement cost method. The entity 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

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fleet managers in their Department who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

**Fair value for plant and equipment** that are specialised in use (such that it is rarely sold other than as part of a going concern) is determined using the depreciated replacement cost method.

## 4.1.1. DEPRECIATION AND IMPAIRMENT

Charge for the period	(\$ dollars)	
	2017	2016
Buildings	12,206,720	13,624,361
Market equipment	72,156	86,911
Motor vehicles	38,108	51,613
Computer equipment	133,800	134,311
Office equipment	8,204	7,326
Computer software	94,874	150,729
<b>Total depreciation</b>	<b>12,553,862</b>	<b>14,055,251</b>

All buildings, plant and equipment and other non-financial physical assets that have finite useful lives, are depreciated. The exceptions to this rule include items under operating leases, assets held for sale, land and investment properties.

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. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

Asset	(years) Useful Life
Buildings - Epping - shell structures	50 years
Buildings - Epping - engineering services and central plant	40 years
Buildings - Epping - fitout	25 years
Buildings - West Melbourne	0 years*
Computer Equipment	3 years
Motor Vehicles	6 years
Market Equipment	6 years
Office Furniture	6 years

Note:

\* West Melbourne buildings are obsolete due to discontinued operations and have been fully written down.

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

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

In the event of the 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).

**Impairment:** Non-financial assets, including property, plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

The assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying

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value exceeds its recoverable amount, the difference is written off as an 'other economic flow', except the extent that it 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 impairment, the carrying amount shall be increased to its recoverable amount. However this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

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.

## 4.1.2. CARRY VALUES BY 'PURPOSE' GROUP

	(\$ dollars)	
	<i>Public safety and environment</i>	
	<i>Net carrying amount</i>	
	<i>2017</i>	<i>2016</i>
Land at fair value	61,111,111	175,000,000
Buildings at fair value	393,804,038	405,370,000
Capital works in progress	86,269	298,707
Plant, equipment and vehicles		
- Market equipment	233,719	271,469
- Motor vehicles	113,725	151,833
- Computer equipment	335,369	359,590
- Office plant and equipment	27,513	35,717
<b>Net carrying amount</b>	<b>455,711,744</b>	<b>581,487,316</b>

#### 4.1.3. RECONCILIATION OF MOVEMENTS IN CARRYING AMOUNT OF PROPERTY, PLANT AND EQUIPMENT

*\*Note:  
Fair value assessments have been performed for all classes of assets in this purpose group.  
Management revaluation was performed for Land based on movement advised in VGV land indices. All other assets classes were reviewed and the decision was made that movements were not material (less than or equal to 10 per cent) for full revaluation. The next scheduled full revaluation for this purpose group will be conducted in 2021.  
The discontinued site at West Melbourne has been transferred into disposal group of assets held for distribution, pending the 18 July 2017 divestment.*

*Fair value assessments have been performed for all classes of assets in this purpose group.*

management revaluation was performed for Land based on movement advised in VGV land indices. All other assets classes were reviewed and the decision was made that movements were not material (less than or equal to 10 per cent) for full revaluation. The next scheduled full revaluation for this purpose group will be conducted in 2021.

The discontinued site at West Melbourne has been transferred into disposal group of assets held for distribution, pending the 18 July 2017 divestment.

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## 4.2. INTANGIBLE ASSETS

	(\$ dollars)	
	<i>Computer Software</i>	
	2017	2016
<b>Gross carry amount</b>		
Opening balance	784,051	1,994,277
Additions	176,373	72,397
Disposals or classified as held for sale	-	(1,282,623)
<b>Closing Balance</b>	<b>960,424</b>	<b>784,051</b>
<b>Accumulated depreciation, amortisation and impairment</b>		
Opening balance	(631,905)	(1,763,679)
Amortisation expense	(94,874)	(150,729)
Disposal	-	1,282,503
<b>Closing Balance</b>	<b>(726,779)</b>	<b>(631,905)</b>
<b>Net book value at end of financial year</b>	<b>233,645</b>	<b>152,146</b>

### Initial Recognition

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 Intangible Assets is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

An **internally generated intangible asset** arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

1. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
2. an intention to complete the intangible asset and use or sell it;
3. the ability to use or sell the intangible asset;
4. the intangible asset will generate probable future economic benefits;
5. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
6. the ability to measure reliably the expenditure attributable to the intangible asset during its development.

### Subsequent measurement

Intangible produced assets with finite useful lives, are depreciated as an 'expense from transactions' on a straight line basis over their useful lives. Produced intangible assets have useful lives of between 3 and 5 years.

Intangible non-produced assets with finite lives are amortised as on 'other economic flow' on a straight line basis over their useful lives. The amortisation period is 3 to 5 years.

### Impairment of intangible assets

Goodwill and intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired. Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified.

The policy in connection with testing for impairment is outlined in section 4.1.1.

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## 4.3. INVESTMENTS AND OTHER FINANCIAL ASSETS

	(\$ dollars)	
	2017	2016
Current investments and other financial assets		
Australian dollar term deposits > three months	25,000,000	25,000,000
<b>Total current investments and other financial assets</b>	<b>25,000,000</b>	<b>25,000,000</b>
Total investments and other financial assets	25,000,000	25,000,000

### Ageing analysis of investments and other financial assets

	(\$ dollars)					
	Carrying amount	Not past due and not impaired	Past due but not impaired			
			Less than 1 month	1-3 months	3 months-1 year	1-5 years
2017						
Term deposits	25,000,000	25,000,000				
<b>Total</b>	<b>25,000,000</b>	<b>25,000,000</b>	-	-	-	-
2016						
Term deposits	25,000,000	25,000,000				
<b>Total</b>	<b>25,000,000</b>	<b>25,000,000</b>	-	-	-	-

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## 5. OTHER ASSETS AND LIABILITIES

### Introduction

This section sets out those assets and liabilities that arose from the Melbourne Market Authority's (MMA's) controlled operations.

### Structure

- 5.1 Receivables
- 5.2 Payables
- 5.3 Other non-financial assets

### 5.1. RECEIVABLES

	(\$ dollars)	
	2017	2016
<b>Contractual</b>		
Rental Revenue	1,780,375	2,174,348
Provision for doubtful contractual receivables	(85,455)	-
Accrued investment income	92,400	63,280
Other receivables		
<b>Statutory</b>		
Amounts owing from Victorian Government	8,946	-
GST input tax credit recoverable	171,408	298,234
<b>Total receivables</b>	<b>1,967,674</b>	<b>2,535,862</b>
<i>Represented by</i>		
Current receivables	1,809,558	2,226,128
Non-current receivables	158,116	309,734

**Contractual receivables** are classified as financial instruments and categorised as 'loans and receivables'. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment.

**Statutory receivables** do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments. Amounts recognised from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due.

### Movement in the provision for doubtful debts

	(\$ dollars)	
	2017	2016
<b>Balance at the beginning of the year</b>	<b>36,747</b>	-
Reversal of unused provision recognised in net result	-	-
Transfers in/acquired outputs	-	25,906
Increase in provision recognised in the net result	85,455	36,747
Reversal of provision of receivable written off during the year as uncollectable	(36,747)	(25,906)
<b>Balance at the end of the year</b>	<b>85,455</b>	<b>36,747</b>

**Doubtful debts:** Receivables are assessed for bad and doubtful debts on a regular basis. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. 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 computation methods in accordance with AASB 136 Impairment of Assets.

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A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. The increase in the provision for the year is recognised in the net result.

## Ageing analysis of contractual receivables

(\$ dollars)						
	Carrying amount	Not past due and not impaired	Past due but not impaired			
			Less than 1 month	1-3 months	3 months- 1 year	1-5 years
2017						
Sale of goods and services	1,694,920	653,580	147,377	99,124	175,992	618,847
Accrued investment income	92,400	92,400	-	-	-	-
<b>Total</b>	<b>1,787,320</b>	<b>745,980</b>	<b>147,377</b>	<b>99,124</b>	<b>175,992</b>	<b>618,847</b>
2016						
Sale of goods and services	2,174,348	1,701,368	181,956	291,024	-	-
Accrued investment income	63,280	63,280	-	-	-	-
<b>Total</b>	<b>2,237,628</b>	<b>1,764,648</b>	<b>181,956</b>	<b>291,024</b>	<b>-</b>	<b>-</b>

No interest is charged for the first 30 days from the invoice date. MMA reserves the right to charge on the outstanding balance. The average credit for sales of goods and services is 30 days. There are no material financial assets that are individually determined to be impaired. Currently the MMA holds bonds for lease and licence receivables. For all other financial assets MMA does not hold collateral as security.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired and they are stated at carrying amounts as indicated.

## 5.2. PAYABLES

(\$ dollars)		
	2017	2016
<b>Contractual</b>		
Supplies and services	4,404,367	5,046,116
Interest Payable	190,160	204,018
Tenant bonds and retention monies	498,425	627,453
Rentals in advance	1,619,588	1,428,615
<b>Statutory</b>		
FBT Payable	22,120	14,230
Other Taxes payable	904,720	901,092
<b>Total current payables</b>	<b>7,639,380</b>	<b>8,221,524</b>
<i>Represented by</i>		
Current payables	7,140,955	7,594,071
Non-current payables	498,425	627,453

Payables consist of:

- **contractual payables**, classified as financial instrument and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to the entity prior to the end of the financial year that are unpaid; and
- **statutory payables**, that are recognised and measured similarly to contractual payable, but are not classified as financial instruments and not included in the category of financial liabilities at amortised costs, because they do not arise from contracts.

Payables for supplies and services have an average credit period of 30 days.



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## Maturity analysis of contractual payables (a)

(\$ dollars)						
	Carrying amount	Not past due and not impaired	Past due but not impaired			
			Less than 1 month	1-3 months	3 months-1 year	1-5 years
2017						
Sale of goods and services	4,404,367	-	4,404,367	-	-	-
Tenant bonds and retention monies	498,425	-	-	-	-	498,425
Rentals in advance	1,619,588	-	1,619,588	-	-	-
Other payables	190,160	-	-	190,160	-	-
Total	6,712,540	-	6,023,955	190,160	-	498,425
2016						
Supplies and services	5,046,116	-	5,046,116	-	-	-
Tenant bonds and retention monies	627,453	-	-	-	-	627,453
Rentals in advance	1,428,615	-	1,428,615	-	-	-
Other payables	204,018	-	-	204,018	-	-
Total	7,306,202	-	6,474,731	204,018	-	627,453

Note:

(a) Maturity analysis is presented using the contractual undiscounted cash flows.

## 5.3. OTHER NON-FINANCIAL ASSETS

(\$ dollars)		
	2017	2016
<b>Current other assets</b>		
Prepayments	337,255	262,377
<b>Total current other assets</b>	<b>337,255</b>	<b>262,377</b>

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.

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## 6. HOW WE FINANCED OUR OPERATIONS

### Introduction

This section provides information on the sources of finance utilised by the Melbourne Market Authority (MMA) during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the MMA.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Notes 7.1 and 7.3 provide additional, specific financial instrument disclosures.

### Structure

- 6.1 Borrowings
- 6.2 Cash flow information and balances
- 6.3 Commitments for expenditure

### 6.1. BORROWINGS

	(\$ dollars)	
	2017	2016
<b>Current borrowings</b>		
Loans From TCV	1,000,000	1,000,000
<b>Total current borrowings</b>	<b>1,000,000</b>	<b>1,000,000</b>
<b>Non-current borrowings</b>		
Loans From TCV	22,000,000	23,000,000
<b>Total non-current borrowings</b>	<b>22,000,000</b>	<b>23,000,000</b>
<b>Total borrowings</b>	<b>23,000,000</b>	<b>24,000,000</b>

'Borrowings' refer to interest bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria (TCV), finance leases and other interest bearing arrangements.

Borrowings are classified as financial instruments. All interest bearing borrowings 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 entity has categorised its interest bearing liabilities as either 'financial liabilities designated at fair value through profit or loss', or financial liabilities at 'amortised cost'. The classification depends on the nature and purpose of the interest bearing liabilities. The entity determines the classification of its interest bearing liabilities at initial recognition.

**Defaults and breaches:** During the current and prior year, there were no defaults and breaches of any of the loans.

### Maturity analysis of borrowings

	(\$ dollars)						
	Carrying amount	Nominal amount	Past due but not impaired				
			Less than 1 month	1-3 months	3 months- 1 year	1-5 years	5+ years
<b>2017</b>							
Loans from TCV	23,000,000	23,000,000		500,000	500,000	4,000,000	18,000,000
<b>Total</b>	<b>23,000,000</b>	<b>23,000,000</b>	-	<b>500,000</b>	<b>500,000</b>	<b>4,000,000</b>	<b>18,000,000</b>
<b>2016</b>							
Loans from TCV	24,000,000	24,000,000		500,000	500,000	4,000,000	19,000,000
<b>Total</b>	<b>24,000,000</b>	<b>24,000,000</b>	-	<b>500,000</b>	<b>500,000</b>	<b>4,000,000</b>	<b>19,000,000</b>

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## Interest expense

	(\$ dollars)	
	2017	2016
Interest on government loans	953,945	985,064
<b>Total interest expense</b>	<b>953,945</b>	<b>985,064</b>

'Interest expense' includes costs incurred in connection with the borrowing of funds and 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 expense is recognised in the period in which it is incurred.

The entity recognises borrowing costs immediately as an expense, even where they are directly attributable to the acquisition, construction or production of a qualifying asset.

## 6.2. CASH FLOW INFORMATION AND BALANCES

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

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

	(\$ dollars)	
	2017	2016
Total cash and deposits disclosed in the balance sheet	7,368,482	5,904,651
<b>Balance as per cash flow statement</b>	<b>7,368,482</b>	<b>5,904,651</b>

### 6.2.1. RECONCILIATION OF NET RESULT FOR THE PERIOD TO CASH FLOW FROM OPERATING ACTIVITIES

	(\$ dollars)	
	2017	2016
<b>Net result for the period</b>	<b>(9,212,393)</b>	<b>(13,538,568)</b>
<b>Non-cash movements</b>		
(Gain)/loss on sale or disposal of non-current assets	3,064	(24,569)
Depreciation and amortisation of non-current assets	12,553,862	14,055,251
<b>Movements in assets and liabilities</b>		
(Increase)/decrease in receivables	568,188	(2,204,485)
(Increase)/decrease in current prepayments	(74,878)	101,130
(Decrease)/increase in current provisions	(40,126)	(102,823)
(Decrease)/increase in current payables	(582,144)	1,284,599
<b>Net cash flows from/(used in) operating activities</b>	<b>3,215,573</b>	<b>(429,465)</b>

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## 6.3. COMMITMENTS FOR EXPENDITURE

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. 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.

### 6.3.1. TOTAL COMMITMENTS PAYABLE

	(\$ dollars)			
<i>Nominal amounts 2017</i>	<i>Less than 1 year</i>	<i>1-5 years</i>	<i>5+ years</i>	<i>Total</i>
Capital expenditure commitments payable	61,143	-	-	61,143
Other commitments payable	5,919,322	18,240,662	-	24,159,984
<b>Total commitments (inclusive of GST)</b>	<b>5,980,465</b>	<b>18,240,662</b>	<b>-</b>	<b>24,221,127</b>
Less GST recoverable	(543,679)	(1,658,242)	-	(2,201,921)
<b>Total commitments (exclusive of GST)</b>	<b>5,436,786</b>	<b>16,582,420</b>	<b>-</b>	<b>22,019,206</b>

	(\$ dollars)			
<i>Nominal amounts 2016</i>	<i>Less than 1 year</i>	<i>1-5 years</i>	<i>5+ years</i>	<i>Total</i>
Capital expenditure commitments payable	206,481	-	-	206,481
Other commitments payable	8,009,690	3,908,210	-	11,917,900
<b>Total commitments (inclusive of GST)</b>	<b>8,216,171</b>	<b>3,908,210</b>	<b>-</b>	<b>12,124,381</b>
Less GST recoverable	(746,925)	(355,292)	-	(1,102,216)
<b>Total commitments (exclusive of GST)</b>	<b>7,469,246</b>	<b>3,552,918</b>	<b>-</b>	<b>11,022,165</b>

## 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

### Introduction

The Melbourne Market Authority (MMA) is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the MMA related mainly to fair value determination.

### Structure

- |     |  |
|-----|--|
| 7.1 | Financial instruments specific disclosures   |
| 7.2 | Contingent assets and contingent liabilities |
| 7.3 | Fair value determination                     |

### 7.1. FINANCIAL INSTRUMENTS SPECIFIC DISCLOSURES

#### Introduction

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 (for example taxes, fines and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

#### Categories of financial instruments

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities 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 (and for assets, less any impairment). The MMA recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables);
- term deposits; and
- certain debt securities.

Financial liabilities at amortised cost 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. The MMA recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- borrowings (including finance lease liabilities).

**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.

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*.

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## 7.1.1. FINANCIAL INSTRUMENTS: CATEGORISATION

	(\$ dollars)		
2017	Contractual financial assets - loans and receivables and cash	Contractual financial liabilities at amortised cost	Total
<b>Contractual financial assets</b>			
Cash and deposits	7,368,482	-	7,368,482
<b>Receivables(a)</b>			
Accrued investment income	92,400	-	92,400
Rental income	1,694,920	-	1,694,920
<b>Investments &amp; other contractual financial assets</b>			
Term deposits	25,000,000	-	25,000,000
<b>Total contractual financial assets</b>	<b>34,155,802</b>	<b>-</b>	<b>34,155,802</b>
<b>Contractual financial liabilities</b>			
<b>Payables(a)</b>			
Supplies and services	-	4,404,367	4,404,367
Tenant bonds and retention monies	-	498,425	498,425
Rentals in advance	-	1,619,588	1,619,588
Other payables	-	190,160	190,160
<b>Borrowings</b>			
Loans from TCV	-	23,000,000	23,000,000
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>29,712,540</b>	<b>29,712,540</b>
<b>2016</b>			
<b>Contractual financial assets</b>			
Cash and deposits	5,904,651	-	5,904,651
<b>Receivables(a)</b>			
Accrued investment income	63,280	-	63,280
Rental income	2,174,348	-	2,174,348
<b>Investments &amp; other contractual financial assets</b>			
Term deposits	25,000,000	-	25,000,000
<b>Total contractual financial assets</b>	<b>33,142,279</b>	<b>-</b>	<b>33,142,279</b>
<b>Contractual financial liabilities</b>			
<b>Payables(a)</b>			
Supplies and services	-	5,046,116	5,046,116
Tenant bonds and retention monies	-	627,453	627,453
Rentals in advance	-	1,428,615	1,428,615
Other payables	-	204,018	204,018
<b>Borrowings</b>			
Loans from TCV	-	24,000,000	24,000,000
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>31,306,202</b>	<b>31,306,202</b>

Note:

(a) The total amounts disclosed here exclude statutory amounts (ie. amounts owing from Victorian Government and GST input tax credit recoverable and taxes payable)

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## 7.1.2. FINANCIAL INSTRUMENTS - NET HOLDING GAIN/(LOSS) ON FINANCIAL INSTRUMENTS BY CATEGORY

(\$ dollars)

2017	Net holding gain/loss	Total interest income/ (expense)	Fee income / (expense)	Impairment loss	Total
<b>Contractual financial assets</b>					
Financial assets - loans and receivables	-	578,576	-	-	578,576
<b>Total contractual financial assets</b>	<b>-</b>	<b>578,576</b>	<b>-</b>	<b>-</b>	<b>578,576</b>
<b>Contractual financial liabilities</b>					
Financial liabilities at amortised cost	-	(953,945)	-	-	(953,945)
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>(953,945)</b>	<b>-</b>	<b>-</b>	<b>(953,945)</b>

2016	Net holding gain/loss	Total interest income/ (expense)	Fee income / (expense)	Impairment loss	Total
<b>Contractual financial assets</b>					
Financial assets - loans and receivables	-	711,828	-	-	711,828
<b>Total contractual financial assets</b>	<b>-</b>	<b>711,828</b>	<b>-</b>	<b>-</b>	<b>711,828</b>
<b>Contractual financial liabilities</b>					
Financial liabilities at amortised cost	-	(985,064)	-	-	(985,064)
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>(985,064)</b>	<b>-</b>	<b>-</b>	<b>(985,064)</b>

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

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

## 7.1.3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

As a whole, the MMA's financial risk management program seeks to manage these risks and the associated volatility of its financial performance.

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 7.3 to the financial statements.

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

The MMA's main financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price 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 financial risk management committee of the MMA.

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## Financial Instruments: Credit risk

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. The MMA's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the MMA. 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

(\$ dollars)

2016	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
Cash and deposits	2,561,905	4,800,000	-	6,577	7,368,482
Receivables (a)					
- Accrued investment income	-	92,400	-	-	92,400
- Rental income	-	-	-	1,694,920	1,694,920
Investments & other contractual financial assets					
- Term deposits	-	25,000,000	-	-	25,000,000
<b>Total</b>	<b>2,561,905</b>	<b>29,892,400</b>	<b>-</b>	<b>1,701,497</b>	<b>34,155,802</b>

2016	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
Cash and deposits	-	4,800,000	-	1,104,651	5,904,651
Receivables (a)					
- 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</b>	<b>-</b>	<b>29,863,280</b>	<b>-</b>	<b>3,279,000</b>	<b>33,142,279</b>

Note:

(a) The carrying amounts disclosed here exclude statutory amounts (ie. amounts owing from Victorian Government and GST input tax credit recoverable).

## Financial instruments: Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. The MMA operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

The MMA's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

## Financial Instruments: Market risk

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

## Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The MMA does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The MMA has minimal exposure to cash flow interest rate risks through cash and deposits, term deposits and bank overdrafts that are at floating rate.

The MMA manages this risk by mainly undertaking fixed rate or non-interest bearing financial instruments with relatively even



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maturity profiles, with only insignificant amounts of financial instruments at floating rate.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and the MMA's sensitivity to interest rate risk are set out in the table that follows.

## Interest rate exposure of financial instruments

(\$ dollars)					
2017	Weighted average interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearin
<b>Financial Assets</b>					
Cash and deposits	1.47%	7,368,482	4,800,000	2,561,905	6,577
Receivables	1.47%				
- Accrued investment income		92,400	92,400	-	-
- Rental income		1,694,920	-	-	1,694,920
Investments & other contractual financial assets					
- Term deposits	2.02%	25,000,000	25,000,000	-	-
<b>Total financial assets</b>		<b>34,155,802</b>	<b>29,892,400</b>	<b>2,561,905</b>	<b>1,701,497</b>
<b>Financial Liabilities</b>					
Payables					
- Borrowings	4.08%	23,000,000	23,000,000	-	-
- Supplies and services		4,404,367	-	-	4,404,367
- Tenant bonds and retention monies		498,425	-	-	498,425
- Rentals in advance		1,619,588	-	-	1,619,588
- Other payables		190,160	-	-	190,160
<b>Total financial liabilities</b>		<b>29,712,540</b>	<b>23,000,000</b>	<b>-</b>	<b>6,712,540</b>
2016	Weighted average interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearin
<b>Financial Assets</b>					
Cash and deposits	2.23%	5,904,651	4,800,000	1,097,274	7,377
Receivables					
- Accrued investment income		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 and services		5,046,116	-	-	5,046,116
- Tenant bonds and retention monies		627,453	-	-	627,453
- Rentals in advance		1,428,615	-	-	1,428,615
- Other payables		204,018	-	-	204,018
<b>Total financial liabilities</b>		<b>31,306,202</b>	<b>24,000,000</b>	<b>-</b>	<b>7,306,202</b>

Note:

(a) The carrying amounts disclosed here exclude statutory amounts (ie. amounts owing from Victorian Government and GST input tax credit recoverable).

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## Interest rate risk sensitivity

		(\$ dollars)	
	<i>Carrying amount</i>	<i>-100 basis points Net result</i>	<i>+ 100 basis points Net result</i>
<b>2017</b>			
<b>Contractual financial assets</b>			
Cash and deposits	7,361,905	(73,619)	73,619
Investments & other contractual financial assets	25,000,000	(250,000)	250,000
Contractual financial liabilities	23,000,000	(230,000)	230,000
<b>Total impact</b>	<b>55,361,905</b>	<b>(553,619)</b>	<b>553,619</b>
<b>2016</b>			
<b>Contractual financial assets</b>			
Cash and deposits	5,897,274	(58,973)	58,973
Investments & other contractual financial assets	25,000,000	(250,000)	250,000
Contractual financial liabilities	24,000,000	(240,000)	240,000
<b>Total impact</b>	<b>54,897,274</b>	<b>(548,973)</b>	<b>548,973</b>

## 7.2. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

MMA is awaiting formal notification from 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 occurred on 18 July 2017.

## 7.3. FAIR VALUE DETERMINATION

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of MMA.

This section sets out information on how MMA determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

- financial assets and liabilities at fair value through operating result; and
- land, buildings, infrastructure, plant and equipment.

In addition, the fair values of other assets and liabilities that are carried at amortised cost, also need to be determined for disclosure purposes. MMA determines the policies and procedures for determining fair values for both financial and non-financial assets and liabilities as required

### Fair value hierarchy

In determining fair values a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

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- 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 fair value measurement is directly or indirectly observable; and
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The MMA determines whether transfers have occurred between levels in the hierarchy by reassessing 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. MMA monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

None of MMA's financial instruments are revalued at fair value post initial recognition.

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## 7.3.1. FAIR VALUE DETERMINATION: NON-FINANCIAL PHYSICAL ASSETS

### Fair value measure hierarchy

		(\$ dollars)		
	Carrying amount as at	Fair value measurement at end of reporting period using		
2017	30 June 2017	Level 1(a)	Level 2(a)	Level 3(a)
Land at fair value				
Specialised land	61,111,111	-	61,111,111	-
<b>Total of land at fair value</b>	<b>61,111,111</b>	<b>-</b>	<b>61,111,111</b>	<b>-</b>
Buildings at fair value				
Specialised buildings	393,804,038	-	-	393,804,038
<b>Total of buildings at fair value</b>	<b>393,804,038</b>	<b>-</b>	<b>-</b>	<b>393,804,038</b>
Plant, equipment and vehicles at fair value				
- Vehicles (b)	113,725	-	-	113,725
- Plant and equipment	596,601	-	-	596,601
<b>Total of plant, equipment and vehicles at fair value</b>	<b>710,326</b>	<b>-</b>	<b>-</b>	<b>710,326</b>
<b>2016</b>				
Land at fair value				
Specialised land	175,000,000	-	175,000,000	-
<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 (b)	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>

Notes:

(a) Classified in accordance with the fair value hierarchy

(b) Vehicles are categorised to Level 3 assets as the depreciated replacement cost is used in estimating the fair value

There have been no transfers between levels during the period.

**Specialised land and specialised buildings:** An independent valuation of 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 \$33.3 million was recognised in 2016.

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 (CSO) 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 \$39 million in 2016.

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

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measurements. As a result, an Epping building revaluation increment of \$48.04 million was recorded in 2016.

As at 30 June 2017, a managerial valuation was performed where the land at Epping and West Melbourne was revalued.

**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 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 2017.

For all assets measured at fair value, the current used is considered the highest and best use.

## Reconciliation of Level 3 fair value movements

	(\$ dollars)			
2017	Specialised Land	Specialised Buildings	Vehicles	Plant and equipment
<b>Opening Balance</b>	-	405,370,000	151,833	666,776
Purchases (sales)	-	640,758	-	147,863
Transfers in (out) of Level 3				
Gains or losses recognised in net result				
Disposals	-	-	-	(3,879)
Depreciation	-	(12,206,720)	(38,108)	(214,160)
<b>Subtotal</b>	-	<b>393,804,038</b>	<b>113,725</b>	<b>596,601</b>
Gains or losses recognised in other economic flows - other comprehensive income	-	-	-	-
Revaluations	-	-	-	-
<b>Subtotal</b>	-	-	-	-
<b>Closing balance</b>	-	<b>393,804,038</b>	<b>113,725</b>	<b>596,601</b>
<b>Unrealised gains/(losses) on non-financial assets</b>				
2016				
<b>Opening Balance</b>	102,677,259	365,812,362	193,193	339,781
Purchases (sales)		5,137,009	76,327	558,353
Transfers in (out) of Level 3	(102,677,259)	-	-	-
Gains or losses recognised in net result				
Disposals	-	-	(66,074)	(2,810)
Depreciation	-	(13,624,364)	(51,613)	(228,548)
<b>Subtotal</b>	-	<b>357,325,007</b>	<b>151,833</b>	<b>666,776</b>
Gains or losses recognised in other economic flows - other comprehensive income				
Revaluations	-	48,044,993	-	-
<b>Subtotal</b>	-	<b>48,044,993</b>	-	-
<b>Closing balance</b>	-	<b>405,370,000</b>	<b>151,833</b>	<b>666,776</b>

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## Description of significant unobservable inputs to Level 3 valuations

2017 and 2016	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 since 30 June 2016.

## Non financial physical assets classified as held for distribution to owners

The following table provides the fair value measurement hierarchy of the MMA's non-financial physical assets held for distribution to owners.

(\$ dollars)				
2017	Carrying amount as at 30 June	Fair value measurement at end of reporting period using:		
		Level 1(a)	Level 2(a)	Level 3(a)
Freehold land held for distribution to owners (b)	144,000,000	-	144,000,000	-

2016				
Freehold land held for distribution to owners (b)	120,000,000	-	120,000,000	-

Notes:

(a) Classified in accordance with the fair value hierarchy

(b) Freehold land held for distribution to owners is reported in Note 8.3

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## 8. OTHER DISCLOSURES

### Introduction

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

### Structure

8.1	Ex-gratia expenses	8.4	Reserves
8.2	Other economic flows included in the net result	8.5	Responsible persons
8.3	Non-financial assets classified as held for distribution	8.6	Remuneration of executives
		8.7	Related parties
		8.8	Remuneration of auditors
		8.9	Subsequent events
		8.10	Australian Accounting Standards issued that are not yet effective
		8.11	Glossary of technical terms
		8.12	Style conventions

### 8.1. EX-GRATIA EXPENSES

	(\$ dollars)	
	2017	2016
Ex-gratia payments were made for the reimbursement of office costs to members of the MMA's advisory committees	16,660	20,830
<b>Total ex-gratia expenses</b>	<b>16,660</b>	<b>20,830</b>

### 8.2. OTHER ECONOMIC FLOWS INCLUDED IN THE NET RESULT

	(\$ dollars)	
	2017	2016
<b>Net gain/(loss) on non-financial assets</b>		
Net gain/(loss) on disposal of property plant and equipment	(3,064)	24,569
<b>Total net gain/(loss) on non-financial assets</b>	<b>(3,064)</b>	<b>24,569</b>
<b>Other gains/(losses) from other economic flows</b>		
Net gain/(loss) arising from revaluation of long service liability (a)	(1,136)	554
<b>Total other gains/(losses) from other economic flows</b>	<b>(1,136)</b>	<b>554</b>

Note:

(a) Revaluation gain/(loss) due to changes in bond rates.

### 8.3. NON-FINANCIAL ASSETS CLASSIFIED AS HELD FOR DISTRIBUTION

The following non-financial assets held for distribution to owners exist at the reporting date:

	(\$ dollars)	
	2017	2016
<b>Non-current assets:</b>		
Freehold land held for distribution (a)	144,000,000	-
<b>Balance at end of financial year</b>	<b>144,000,000</b>	<b>-</b>

Note:

(a) The land was divested to the Crown on 18 July 2017

#### Measurement of non-financial physical assets

Non-financial physical assets are treated as current and classified as held for distribution to owners if their carrying amount will be

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recovered through a distribution transaction rather than through continuing use.

This condition is regarded as met only when:

- the asset is available for immediate use in the current condition; and
- the distribution is highly probable and the asset's distribution is expected to be completed within 12 months from the date of classification.

These non-financial physical assets, related liabilities and financial assets are measured at the lower of carrying amount and fair value less costs to sell, and are not subject to depreciation or amortisation.

Freehold land held for distribution is carried at fair value less costs to disposal. Refer to Note 4.1 for the valuation technique applied to non specialised land.

## 8.4. RESERVES

	(\$ dollars)	
	2017	2016
<b>Physical asset revaluation surplus (a)</b>		
Balance at beginning of financial year	171,305,534	50,937,800
Revaluation increments/(decrements)	30,111,111	120,367,734
<b>Balance at end of financial year</b>	<b>201,416,645</b>	<b>171,305,534</b>

Note:

(a) The physical assets revaluation surplus arises on the revaluation of land and buildings.

## 8.5. RESPONSIBLE PERSONS

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994* (FMA), the following disclosures are made regarding responsible persons for the reporting period.

### Names

The persons who held the positions of Ministers and Accountable Officers in the Authority are as follows:

Minister for Agriculture and Regional Development	The Hon. Jaala Pulford	01-Jul-2016 to 30-Jun-2017
Chairperson	Mr P Tuohey	18-Jan-2017 to 30-Jun-2017
Chairperson	Mr SJ McArthur	01-Jul-2016 to 17-Jan-2017
Board Member	Ms G Marven	01-Jul-2016 to 30-Jun-2017
Board Member	Mr R Cooper	01-Jul-2016 to 17-Jan-2017
Board Member	Mr W Lewis	01-Jul-2016 to 17-Jan-2017
Board Member	Ms S Friend	01-Jul-2016 to 30-Jun-2017
Board Member	Ms R Stewart*	18-Jan-2017 to 30-Jun-2017
Board Member	Ms J Carboon	18-Jan-2017 to 30-Jun-2017
Chief Executive	Mr M Maskiell	01-Jul-2016 to 30-Jun-2017

Note:

\* Robyn Stewart resigned from the Board on 18 August 2017.



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## Remuneration

Remuneration received or receivable by the Accountable Officer in conjunction with the management of the MMA during the reporting period was in the range: \$340,000 - \$349,000 (\$330,000 - \$339,999 in 2015-16).

## 8.6. REMUNERATION OF EXECUTIVES

The number of executive officers, other than ministers and accountable officers, and their total remuneration during the reporting period are shown in the table below. Total annualised equivalents provides a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises of employees benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

**Short-term employee benefits** include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

**Post-employment benefits** include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

**Other long-term benefits** include long service leave, other long service benefits or deferred compensation.

**Termination benefits** include termination of employment payments, such as severance packages.

	(\$ dollars)
<i>Remuneration of executive officers</i>	<i>Total Remuneration</i>
<i>(including executives defined as Key Management Personnel (KMP) disclosed in Note 8.7)</i>	<i>2017</i>
Short-term employee benefits	711,306
Post employment benefits	65,370
Other long-term benefits	-
Total remuneration (a)(b)	776,676
Total number of executives	4
<b>Total annualised employee equivalents (c)</b>	<b>3.66</b>

### Notes:

(a) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015-16 reporting period.

(b) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 *Related Party Disclosures* and are also reported within the related parties note disclosure (Note 8.6).

(c) Annualised employee equivalent is based on the time fraction worked over the reporting period. There was one executive who resigned effective 28 April 2017, the role was vacant at the end of the reporting period and therefore the ending number of executives was 3, however throughout the course of the year the count had been 3.8.

## 8.7. RELATED PARTIES

The Melbourne Market Authority is a wholly owned and controlled entity of the State of Victoria.

Related parties of the MMA include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);
- all cabinet ministers and their close family members; and

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- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

Key management personnel (KMP) of the agency pursuant to section 53(1)(b) of the FMA into the MMA's financial statements include:

<i>Key Management Personnel</i>	<i>Position Title</i>
Mr Mark Maskiell	Chief Executive Officer
Mr David Whitchelo	Chief Operating Officer
Mr Matthew Elliott	Business Development and Marketing Manager
Ms Kathryn Buhagiar	Chief Financial Officer
Mr Peter Tuohey	Board Chairperson
Ms Gisela Marven	Board Member
Ms Jacinta Carboon	Board Member
Ms Robyn Stewart*	Board Member
Ms Susan Friend	Board Member
Mr Steve McArthur	Board Chairperson (term ended 17 Jan 2017)
Mr Russell Cooper	Board Member (term ended 17 Jan 2017)
Mr William Lewis	Board Member (term ended 17 Jan 2017)

Note:

\* Robyn Stewart resigned from the Board on 18 August 2017.

<i>Compensation of KMPs</i>	<i>2017</i>	<i>Section 53/Administrative Offices(c)</i>
Short-term employee benefits(a)	1,145,968	1,145,968
Post-employment benefits	105,243	105,243
Other long-term benefits	-	-
Termination benefits	-	-
<b>Total(b)</b>	<b>1,251,211</b>	<b>1,251,211</b>

Notes:

(a) Total remuneration paid to KMPs employed as a contractor during the reporting period through an external service provider has been reported under short-term employee benefits.

(b) Note that KMPs are also reported in the disclosure of remuneration of executive officers (Note 8.4).

(c) This includes remuneration of KMPs for Melbourne Market Authority.

## Transactions and balances with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with the MMA, there were no related party transactions that involved KMP, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

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No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

During the year MMA provided services to the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) under terms and conditions equivalent for those that prevail in arm's length transactions. The transactions involved CCTV installation, site repairs, car parking, site access fees and tenancy repair works with an aggregated value of \$407,000. DEDJTR provided MMA with project management and building services with an aggregated value of \$427,000.

MMA had both loans and deposits with Treasury Corporation of Victoria (TCV) during the year. MMA paid interest to TCV on loans with an aggregated value of \$578,000. TCV paid interest on deposits to MMA with an aggregated value of \$954,000.

## 8.8. REMUNERATION OF AUDITORS

	(\$ dollars)	
	2017	2016
<b>Victorian Auditor-General's Office</b>		
Audit or review of financial statements	48,500	47,300
<b>Audit or review of financial statements</b>	<b>48,500</b>	<b>47,300</b>

## 8.9. SUBSEQUENT EVENTS

The land and buildings at West Melbourne are disclosed as an asset of the MMA at 30 June 2017 (refer to Note 8.3). These assets were transferred to the Crown on 18 July 2017 due to discontinued operations at the site following the move to Epping. This will result in a \$144,000,000 reduction in assets (land) in the 2017/18 reporting period.

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## 8.10. AUSTRALIAN ACCOUNTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE

The following AASs become effective for reporting periods commencing after the operative dates stated:

Certain new Australian Accounting Standards (AAS) have been published which are not mandatory for the 30 June 2017 reporting period. DTF assesses the impact of all these new standards and advises the MMA of their applicability and early adoption where applicable. Below is the detailed list of the AASs issued but are not yet effective for the 2016-17 reporting period.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity 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 amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. While there will be no significant impact arising from AASB 9, there will be a change to the way financial instruments are disclosed.
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 a customer.	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 contract modifications.
AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 Jan 2018	This amending standard will defer the application period of AASB 15 for for-profit entities to the 2018-19 reporting period in accordance with the transition requirements.
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet.	1 Jan 2019	The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase. Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. No change for lessors.
AASB 2016-4 <i>Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</i>	The standard 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	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.

## 8.11. GLOSSARY OF TECHNICAL TERMS

The following is a summary of the major technical terms used in this reports

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

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

**Amortisation** is the expenses that results from the consumption, extraction or use over time of a non-produced physical or intangible asset. This expense is classified as an 'other economic flow'.

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

**Comprehensive result** is the amount included in the operating statement representing total change in net worth other than transaction with owners as owners.

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

**Employee benefit 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 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** is any asset that is:

- a. cash;
- b. an equity instrument of another entity
- c. a contractual right
  - to receive cash or another financial asset from other 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** is any contract that gives rise to a financial asset of one equity and a financial liability or equity instrument of another entity.

**Financial liability** is any liability that is:

- a. an contractual 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 instrument; 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 instrument do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

**Financial statements** in the Model Report comprise:

- a. a balance sheet as at the end of the period;
- b. a comprehensive operating statement for the period;
- c. a statement of changes in equity for the period;
- d. a 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 paragraph 38 of AASB101 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** 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 that are mainly non-market in nature, those that are largely for collective consumption by the community and those that involve the transfer or redistribution of income. These services are financed mainly through taxes, or other compulsory levies and user charges.

**Interest expense** represents costs incurred in connection with borrowings. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of finance lease repayment, and amortisation of discounts or premiums in relation to borrowings.

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

**Net result** is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those classified as 'other non-owner movements in equity'.

**Net worth** is calculated as assets less liabilities, which is an economic measure of wealth.

**Operating result** is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner movements in equity'. Refer also to 'net result'.

**Other economic flows included in the net result** are changes in the volume or value of an asset or liability that do not result from transactions. In simple terms, other economic flows are changes arising from market remeasurements. They include gains and losses from disposals, revaluations and impairments of non-current 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.

**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. They include change in physical asset revaluation surplus; share of net movement in revaluation surplus of associates and joint ventures; and gains and losses on remeasuring available-for-sale financial assets.

**Payables** includes short and long term trade debt and accounts payable, grants, taxes and interest payable.

**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** include amounts owing from government through appropriation 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 building 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** 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** 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 into an entity such as depreciation, where the owner is simultaneously acting as the owner of the depreciation 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.

## 8.12. 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  
(xxx) negative number  
201x year  
201x ox year period

The financial statements and notes are presented based on the illustration for a government department in the 2016-17 Model Report for Victorian Government Departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publication of the entity's annual reports.



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