

Melbourne Market Authority

Annual Report 2018 – 2019





The Hon. Jaclyn Symes MP
Minister for Agriculture
Level 36, 121 Exhibition Street
Melbourne VIC 3000

Dear Minister

The Melbourne Market Authority (MMA) has pleasure in submitting its Annual Report for the year ending 30 June 2019.

This report covers the period 1 July 2018 to 30 June 2019. 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 located below the 'Yours sincerely,' text.

Peter Tuohey
Chairperson

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RESPONSIBLE BODY'S DECLARATION

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 2019.



Peter Tuohey
Chairperson
Melbourne Market Authority
12 September 2019

SECTION 1: YEAR IN REVIEW

The Melbourne Market is administered by the Melbourne Market Authority (MMA), established under the *Melbourne Market Authority Act 1977*. The MMA is a government Statutory Authority which serves the Victorian fruit and vegetable industry along with the flower industry, through the provision of market facilities, strategic direction for and promotion of the fresh produce industry.

The members of the Board are appointed by the Minister. The responsible Minister for the period from 1 July 2018 to 30 June 2019 was:

The Hon. Jaala Pulford, MLC, Minister for Agriculture, 1 July 2018 to 24 November 2018.

The Hon. Jaclyn Symes MLC, Minister for Agriculture, 13 December 2018 to 30 June 2019.

Financial performance for the reporting period was in line with budget expectations. The MMA has commenced significant investment in intangible assets as part of its digital transformation objective which will continue into the 2019-20 financial year. The MMA continues to invest in repairs and maintenance to ensure the site is held to a high standard.

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:

- engaging regularly with our stakeholders, including all Market participants, the local community and all levels of Government;
- fostering a customer centric culture;
- acting with honesty, integrity and respect for others;
- facilitating opportunities to grow both our tenants' operations and Victoria's fresh produce economy; and
- maintaining accreditation to ISO 9001 Quality Management, the world's most-recognised quality management standard.

Objects of the Authority under the Act

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

CHAIRPERSON'S AND CEO REPORT

We respectfully acknowledge the Wurundjeri Willum Clan, and we pay our respects to their Elders, both past and present. We acknowledge and uphold their continuing relationship to this land.

In an important step towards better transparency, we implemented a three-year Corporate Plan, marking our long-term commitment to our industry with many of our indicators being met and priorities achieved. Fundamental progress has been made to deliver an improved operating environment, maximising the utility of the trading floors, driving logistical efficiencies, master planning for the site, supporting export growth and embracing digital change.

We have continued to deliver core services and progressed many projects and developments, which feature throughout our annual report. Additionally, working in collaboration with trusted partners and embedding our strategic direction has been fundamental to ensuring our vision and delivering on our plan and goals.

This collaborative effort involved many agencies, government departments, growers, tenants and advisory committees, with ongoing engagement to drive and strengthen our direction being instrumental in preparing for the future. We thank everyone who took the time to share their views and ideas.

We would also like to thank our continuing Board members for their support and congratulate Board members; Susan Friend and Gisela Marven on their re-appointment for an additional three-year term on the Melbourne Market Authority Board.

Lastly, we would like to thank the MMA Executive Leadership Team and colleagues who have helped us immensely to achieve our goals and deliver on our commitments over the past 12 months.

We are pleased to present the Melbourne Market Authority's (MMA) 2018-19 Annual Report. The last 12 months have been filled with many challenges and achievements, and we are proud of the significant work over the past year. Amongst many achievements, highlights include:

- The Board and the Executive Leadership Team worked extensively towards delivering on our commitments, and the targets set out in our Corporate Plan, which aims to tackle the challenges faced by both the Market and the fresh produce industry, while swiftly taking advantage of, and celebrating innovative opportunities.
- Conducted site visits by the MMA Board and Executive Leadership Team to farm sites and retailers to hear first-hand, the challenges and opportunities facing the industry and the associated implications and opportunities these present for the Market. This allows the MMA to obtain a greater understanding of the issues facing the industry to better inform our Corporate Plan.
- Undertook significant projects to improve the operating environment and extensive planning already underway for projects to be completed in 2019-20.
- Extended magnetic and fixed bollard installation project to include in high traffic areas at the Market on the trading floor. This project further separates pedestrians and forklifts for increased safety.
- Constructed a diesel refuelling station onsite at the Market which commenced trade, providing competitive rates for Market users and increases in logistical efficiencies onsite.
- Led the Central Markets Association of Australia's involvement with Fresh Markets Australia on the development of a national independent retailers' marketing program known as "A Better Choice". The program launched to consumers early in 2018-19 and Victorian greengrocers have embraced the program with 172 independent retailers joining as members. In its first year, "A Better Choice" has utilised online platforms and social media to engage with a national audience. This digital campaign results in a greater share of voice for independent retailers to influence consumer purchasing decisions and realise economies of scale. In just 12 months, "A Better Choice" has a social media following of over 100,000 people nationwide.

- Welcomed Australian Prime Minister, Scott Morrison to the Market, who visited several traders and spoke to Market users about challenges and opportunities in the fresh produce industry.
- Welcomed the Victorian Minister for Agriculture, the Hon. Jaclyn Symes to the Market and discussed plans for future projects and developments.
- Received nominations from interested parties to form four new Advisory Committees to the MMA for a three-year term (2019-2022). Advisory Committees represent each key Market stakeholder group, including storeholders, standholders, fruit & vegetable buyers, and flower industry and work with the MMA to advise on matters relating to Market operations and the fresh produce industry. The new committee members bring a fresh perspective across a range of demographics, with a noticeable shift towards the newest generation of Market users helping the MMA to improve the customer consultation process.
- Increased popularity of the School Holiday Program, Children in the Market with an average of 60 children attending each event. This initiative enables the next generation to have exposure and gain an understanding of the Market environment and its role in the fresh produce supply chain.
- Continued to deliver the Market Fresh Schools Program, which is delivered to over 10,000 students across Melbourne and Victoria annually to increase fruit and vegetable consumption. The program involves tasting fresh produce from the Market, the importance of a healthy diet and an appreciation of the fresh produce supply chain.
- Obtained approval for the construction of an additional Warehouse (Warehouse 7) to respond to escalating demand for warehousing space at the Market. The new warehouse will be ready for completion in March 2020 and will accommodate 28 small footprint warehouse tenancies.
- Completed concept designs for new canopies to increase undercover parking and staging areas for Market users. These new canopies will be fitted with a solar energy system which is estimated to provide more than 12% of the site's current electrical needs. This will help to provide sustainability and business efficiency onsite and meet Market community expectations for increased undercover parking.
- Embraced digital technology by integrating our systems so that Market users can do business more efficiently with the MMA by reducing red tape. This is a key part of our digital strategy to improve efficiency, transparency and the exploitation of new business opportunities.

We have made significant progress and investments this year in line with the Victorian Government's Food and Fibre Sector Strategy and Agriculture Victoria Strategy to provide effective action to ensure we can meet our promises in the years to follow. We look forward to updating you on our future successes.



Mark Maskiell
Chief Executive Officer
Melbourne Market Authority



Peter Tuohy
Chairperson
Melbourne Market Authority

PURPOSE AND FUNCTIONS

The MMA is a government Statutory Authority established under the *Melbourne Market Authority Act 1977* (the Act). The MMA serves the Victorian fruit and vegetable industry along with the flower industry, through the provision of Market facilities, strategic direction for and promotion of the fresh produce industry.

The Act prescribes the following objectives and functions for the MMA:

Objectives

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

Functions

- To control, maintain and manage the Market and the market land;
- To promote the use of the facilities at the Market;
- To provide advice and information to the Minister on matters relating to the Market and its use by industry and on industry related matters generally; and
- To do all things the MMA is authorised or required to do by or under this or any other Act or law.

The Melbourne Market, a wholesale institution, nearly as old as Victoria itself, is fundamental to Australia's fresh produce industry. The traditional role of Melbourne's wholesale Market is to enable the people of Victoria to have daily access to the best in fresh fruit, vegetables and flowers from across Australia and around the world.

The Melbourne Market completed a once in a generation move to a new facility in August 2015 which signified more than just a new building. It was a new opportunity for the industry and its participants in a rapidly changing sector and an opportunity to expand its role of being an asset of state significance to potentially a food hub of international significance.

Consistent with the focus of the Victorian Government's Food and Fibre Sector Strategy, the Melbourne Market Authority aims to attract more ideas and investment, help businesses innovate and grow, capture market opportunities, develop our infrastructure, and improve the business environment.

This is evident in the strategies and actions of the MMA's Corporate Plan.

The Victorian Government's Agriculture Victoria Strategy objectives include driving creativity and the adoption of new ideas to improve productivity and efficiency of agriculture supply chains. By responding proactively and creatively to the fundamental shifts in the fresh produce trading environment, delivery of this Corporate Plan will ensure we'll be positioned to adapt and leverage these shifts to our traditional role in the supply chain to our advantage, as well as our clients.

The aspiration for smart agriculture needs to be supported by smart supply chains, including the Melbourne Market.

The MMA will work with industry to deliver on six priority areas for the Melbourne Market:

1. Improvement in the operating environment.
2. Maximise utility of the trading floor.
3. Driving logistical efficiency.
4. Diversify revenue streams.
5. Support export growth.
6. Embrace digital change.

PORTFOLIO PERFORMANCE REPORTING

Objectives, indicators and linked outputs

The Melbourne Market Authority's Corporate Plan sets out what we want to achieve for the Melbourne Market community over the next three years. It also aims to demonstrate how we will support the current and future viability of the Market as an innovative food hub for Victoria and how we can embrace digital change to ensure the Market continually improves and remains a key player in the wholesale of the freshest fruit, vegetables and flowers.

The plan delivers on our obligations under the *Melbourne Market Authority Act 1977*.

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

These obligations determine how we can plan for and service our growers and wholesalers over the long, medium and short term, and hold ourselves accountable as its governing authority.

Through annual reporting we will report on our progress towards achieving the outcomes of this plan, our financial performance and project delivery. The Melbourne Market Authority's Three-Year Corporate Plan is structured around six strategic objectives which are accompanied by indicators and outputs to track our levels of success against what we set out to do versus what we achieved. The six strategic objectives for the 2018 -2019 Corporate Plan are illustrated in Table 1 below:

Table 1 – Agency objectives, indicators and linked outputs

Objectives	Indicators	Outputs
Continuously improve the operating environment	<ul style="list-style-type: none"> • Improved efficiency and functionality for Market users • Customer satisfaction 	<ul style="list-style-type: none"> • Identify opportunities to add value for our clients • Improve the customer consultation process • Seek ways to reduce operating costs • Support Market customers to build business skills and capability • Improve environmental sustainability • Improve safety on-site • Extend industry networks • Maintain ISO certification • Increase efficiency of MMA's interactions with clients • Effective internal governance
Maximise the utility of the trading floors	<ul style="list-style-type: none"> • Occupancy • Customer satisfaction 	<ul style="list-style-type: none"> • Monitor trading hours policy to ensure optimisation of retail traffic • Attract more florists and flower buyers • Implement initiatives to increase greengrocer resilience • Increase the profile of the trading floors as a vital part of supply chain
Drive logistical efficiency	<ul style="list-style-type: none"> • Understanding of the Market's broader role in logistics as a fresh produce hub • Identification of additional facilities and services that enhance logistical efficiency 	<ul style="list-style-type: none"> • Examine opportunities to improve product movement across the site • Built in-house capability in ICT
Diversify revenue streams	<ul style="list-style-type: none"> • New revenue opportunities 	<ul style="list-style-type: none"> • Continually improve insights into client needs to identify relevant new services • Identify best use for the 8 hectares of vacant designated land • Engage with State Government to develop masterplan for the adjacent 51 hectares of Market expansion land
Support export growth	<ul style="list-style-type: none"> • Understanding of the services that would assist in facilitating export • Industry stakeholders visiting Market 	<ul style="list-style-type: none"> • Build relationships to foster horticulture export development
Embrace digital change	<ul style="list-style-type: none"> • Opportunities identified • Digital strategy progress 	<ul style="list-style-type: none"> • Identify opportunities to adopt digital technology to improve efficiency • Assist clients to respond to the opportunities and challenges associated with digital disruption

Objective 1: Continuously improve the operating environment

This objective involves continually seeking opportunities to improve the cost-effectiveness, efficiency and safety of the Market for the MMA's clients. The viability of the Market is dependent on having sustainable clients. Client profitability is under pressure from changing retail dynamics coupled with cost/price pressure arising from deflationary forces impacting selling prices and rising operating costs. The perception of clients is that the cost of operating at Epping is higher, fuelled by some having larger tenancies, further distances to travel and tolls for major arterials.

Acknowledging its leadership role, the MMA has undertaken to play a proactive role in assisting the Market users to adapt to these highly dynamic industry forces and strives to maintain the Market as an affordable place of business.

Electricity at the Market is charged to tenants at a discounted rate, which is 32% lower than the Victorian standard tariff rates. To allow businesses in the Market to operate more efficiently, the MMA invested in an online portal to provide glycol users with the ability to track and monitor their glycol usage at 15-minute intervals. This project also meets our objective to embrace digital change.

To further progress the MMA's objective to improve the safety of the site, line marking improvements were introduced to assist with better traffic control. During 2018-17 over 800 bollards were installed on Buyers' Walk, and due to the project's success, in 2018-19 the project was extended to include magnetic base bollards on the Market trading floor. These initiatives work towards helping decrease incidents and near misses across the Market and also reduce costs for businesses by eliminating repair and replacement costs to any damaged fixed bollards.

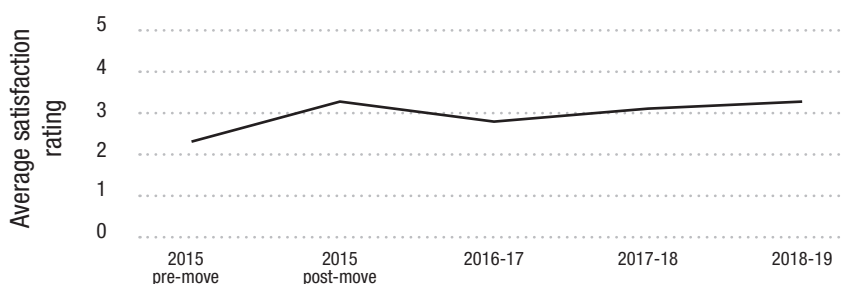
The waste generated by processes within the Melbourne Market is divided into three general classes, landfill, organics and recycling. Provided Market users separate their waste into the recycling streams of cardboard, plastic, polystyrene, wood and organics it can be disposed of free of charge. Pine pallet recycling drop off points were created for free deposit and reuse of pine pallets reducing wood products to landfill. The promotion and education of waste management practices with Market users was the primary driver for the reduction in landfill deposits and the increase in recycled waste during the reporting period.

With initiatives already in place, the Market exceeded its target and achieved a recycling rate of 97%.

As part of the Federal Government's NBN rollout in February 2019, the Melbourne Market completed the installation of the site's NBN services. Subsequently, all tenants have been notified that they can begin the migration to these NBN services.

In the fourth quarter of each year, the MMA undertakes its annual customer satisfaction survey. As shown in figure 1 below, during the 2018-19 financial year the Melbourne Market achieved a satisfaction rate of 66% or an average rating of 3.3 out of 5, exceeding our objective of a 60% satisfaction rate.

Figure 1: Market user satisfaction



Concept designs were completed for new canopies to increase undercover parking and staging areas for Market users. These new canopies will be fitted with a solar energy system which is estimated to provide more than 12% of the site's current electrical needs. This exciting future project will help to provide sustainability and business efficiency onsite and meet Market community expectations for increased undercover parking.

Progress towards objective 1

Indicator	Unit of measure	2017-18	2018-19	2019-2020
• Efficiency and functionality for customers	• Safety	✓	✓	
	• Cost management	✓	✓	
• Customer satisfaction	• Survey results	✓	✓	

Objective 2: Maximise the utility of the trading floors

Objective two's central focus is around leading opportunities to improve the vibrancy and functionality of the Market trading floors. Vibrancy of the Market trading floors can be achieved in many ways, two of which are increasing buyer visitation, and increasing the number of traders providing a variety of sought-after fresh produce and flowers at the highest quality and competitively priced.

A significant challenge facing the vibrancy and significance of the Market trading floor is the bypassing of the central Market with buyers opting to purchase directly from growers or via providores. This trend significantly impacts the Flower Market, with

several flower wholesalers located in various locations around Melbourne that are more favourable for those travelling from the south-east.

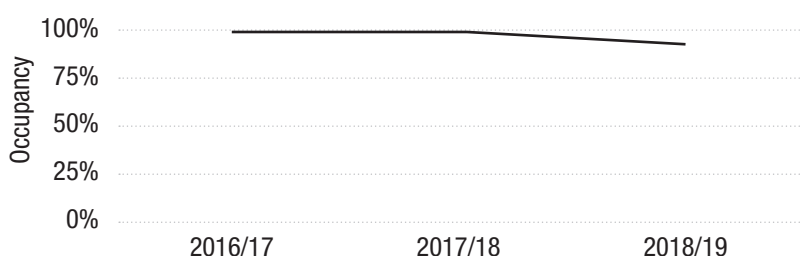
Buyer visitation has slightly decreased in both the Flower Market and Fruit and Vegetable Market over the reporting period.

Percentage change in registered flower buyers	2017-18	2018-19
	16.1%	-3.7%
Percentage change in registered fruit and vegetable buyers	2017-18	2018-19
	11.3%	-2.3%

The decline of the overall number of buyers in the Market can be attributed to an increase in online and pre-sale orders as well as providoring. Providoring businesses, allow smaller retailers and the hospitality industry to enjoy the convenience of having produce delivered, and processed in some instances. This means buyers who would typically use the Market for purchases are using an intermediary service. As providoring businesses in the Market increase in numbers and scale, it also presents a revenue growth opportunity for the Market, where services and infrastructure can be provided to suit the needs of providores, this is being realised by the development of Warehouse Building 7.

Demand remains constant for fruit and vegetable tenancies at the Melbourne Market, as shown in Figure 2 below with overall occupancy at 96%.

Figure 3: Total occupancy



Over the past three years, the MMA has led the CMAA's involvement with Fresh Markets Australia in the development and implementation of 'A Better Choice', a national consumer marketing program to influence consumer behaviour to shop at their local greengrocer. Consumer marketing commenced in October 2018 via digital channels, and during that time has delivered extensive social media advertising to drive the 'A Better Choice' brand. During the reporting period, social media channels gained 105,000 Facebook followers, 1,200 Instagram followers and 38,000 unique Pinterest views per month. A Business Development Manager was hired in a temporary position to drive the brand and relationship with local greengrocers and make contact with greengrocers not currently purchasing directly from the Melbourne Market. Victoria currently has 172 member greengrocers as part of the 'A Better Choice' program, more members than in any other state in Australia. This base now provides a platform to move into a new phase for the program with a range of marketing activities planned in the current financial year.

As part of the MMA's objective to monitor the trading hours policy to ensure that it optimises retail traffic, a market-wide survey was completed to ascertain what the desired trading hours are for Market users. With an almost equal three-way split between, earlier trading, later trading and hours remaining the same, one recurring theme through the consultation exercise was the desire for trading hour consistency, particularly from buyers. Previously the Fruit and Vegetable Market commenced trade an hour later Tuesdays and Wednesdays. The updated consistent 3:30am opening, enables buyers to spend more time at the Market, visiting more stores and stands and getting the opportunity to look at more produce and products without being affected by any additional traffic congestion when leaving Epping. Consistent trading hours allows buyers to do this each Market day, including Tuesdays and Wednesdays.

To encourage more frequent visitation and vary the daily routine, a rolling program of seasonal events occurs in both the Flower and Fruit and Vegetable Markets, including Australia Day, Chinese New Year and Christmas celebrations. The popularity of the School Holiday Program, Children in the Market has increased, with an average of 60 children attending each event. This initiative enables the next generation to have exposure and gain an understanding of the Market environment and its role in the fresh produce supply chain.

Progress towards objective 2

Indicator	Unit of measure	2017-18	2018-19	2019-20
Customer satisfaction	Survey results > 60% satisfaction	✓	✓	
Occupancy for trading stands/stores	Occupancy	✓	✓	
Registered buyers	Quantity	✓	✓	

Objective 3: Drive logistical efficiency

This objective centres around how the MMA responds to the increasingly important role that the Market plays as a logistics hub. The role of markets around the world is rapidly transitioning from a trading focus to that of being logistics and service hubs. This rate of transition has been magnified at the Melbourne Market since the move to Epping because of the opportunities relating to location, size and layout.

The Melbourne Market allows for increased efficiency for tenants, with many reporting that the ability to consolidate their operations within the boundary of the Market has facilitated reduced handling, transport and labour costs and improved the capacity to manage cold chain requirements.

Since trading commenced at Epping in 2015, the MMA has been accepting registrations of interest for additional warehousing. During the reporting period, the MMA secured over 80% commitment to an additional small format warehouse (Building 7) comprising approximately 4,000m² net lettable area. Approval for the construction of the additional warehouse was granted, and a tender awarded to Wiley & Co Pty Ltd. The project has an indicative completion date in March 2020 and will accommodate 28 small footprint warehouse tenancies.

A new unmanned diesel refuelling station was constructed and commenced trade in May 2019. The station offers Low-Flow Diesel, Hi-Flow Diesel and AdBlue fuel. All Market access cardholders now have access to discounted fuel that is around \$0.05 cheaper than outside Market Land. This addition to the Market has created logistical efficiencies allowing Market users to fill up before, during or after trade, meaning less unnecessary stops outside the Market.

A project was completed to transform and reallocate under-utilised rigid truck parking bays into light commercial vehicle (LCV) parking bays. With a demand for more LCV parking bays than had initially been available, this project has provided more Market users with a permanent allocated parking space while also eliminating wait times on new allocations and increasing reserved allocations from casual parking.

The construction of an additional coolroom in the Flower Market has resulted in an additional high-profile flower seller signing a license agreement. Increasing the number of flower sellers who offer a more diverse range of products means buyers can utilise the Melbourne Flower Market as a single destination for all flower related produce and products, improving logistical efficiencies for MMA customers.

The MMA developed concept designs for an additional seven hectares of developable land within the Market boundary and have engaged numerous interested parties in generic large-format warehousing and bespoke solutions. Dialogue with some of these parties is ongoing.

Progress towards objective 3

Indicator	Unit of measure	2017-18	2018-19	2019-20
Understanding of the Market's broader role in logistics as a fresh produce hub	Corporate knowledge	✓	✓	
Identification of additional facilities and services that enhance logistical efficiency	#	✓	✓	

Objective 4: Diversify revenue streams

This objective centres around expanding services at the Market that generate extra revenue streams or gain better yield from what we are already doing by continually innovating and adapting to change. Being savvy in our approach to this objective allows us to increase the value proposition of the Market and continue the financial viability of the Market.

As well as fulfilling our objective to drive logistical efficiencies, approval for the construction of Warehouse 7 will bring additional revenue opportunities for the MMA. During the reporting period the MMA secured over 80% commitment for 28 small footprint warehouse agreements for tenancy leases.

The MMA Board and Executive Leadership Team undertook six external visits to farm sites and retailers, to hear first-hand the challenges and opportunities facing the industry and the associated implications and opportunities these present for the Market. The trips are part of the MMA's commitment to continue to obtain a better understanding of the needs of the customer base and allow the MMA to see different sections of the supply chain. This corporate knowledge better informs our Corporate Plan, and future capital works projects.

The completion of the construction of the unmanned diesel refuelling station not only fulfils our objective to bring logistical efficiencies for Market users but has brought in an additional revenue stream through a lease agreement for the MMA during the reporting period.

During 2018-19 the MMA has continued its advocacy for the development of the 50 hectares of expansion land adjacent to the Market to create a food and logistics hub of international significance. The realisation of this development project will bring opportunities for new and varied revenue streams to increase the value proposition of the Market and continue its financial viability.

Progress towards objective 4

Indicator	Unit of measure	2017-18	2018-19	2019-20
New revenue opportunities	\$	•	✓	

Objective 5: Support export growth

Horticultural exports are growing strongly due to the increasing demand from affluent middle-class consumers in Asia and the Middle East. Australia, and in particular Victoria, has the potential to become a key part of the food bowl for these regions. The Market's proximity to Melbourne's international air and sea ports provides a critical role in ensuring the future of Victorian horticultural exports and easy transportation for produce and cut flowers imported into Victoria.

While increasing exports may not have a direct impact on the volume of produce trading through the Market's trading floor, it does provide another channel to market which enhances the financial viability of the tenants which assists in protecting the MMA's future revenue streams. It also increases the opportunities for the Victorian agricultural industry.

Of the Market tenants that completed the MMA's customer satisfaction survey in December 2018, 25% indicated they currently have undertaken export and import activity with a further 25% indicating they intend to within the next five years.

The Melbourne Market is an ideal venue to host inbound trade missions with an appropriate showcase facility demonstrating the range of produce available within Victoria and nationally in a single, modern facility. The MMA supports the trade division of the Department of Jobs, Precincts and Regions for inbound trade missions and the work of other industry bodies including AusVeg, Australian Horticultural Exporters' and Importers' Association and Horticulture Innovation Australia. Seven international delegations were hosted for tours during the reporting period.

The MMA also issues a licence to an operator of Market tours to service the needs of industry participants seeking both highly personalised and generic Market experiences. During 2018-19, 1043 individuals participated in a Market tour, of which, approximately 40 individuals utilised this service for export/import related insights.

During the reporting period, the MMA further progressed its study on freight and logistics with a vision to include an expert freight hub on the Melbourne Market site. The study will explore ways the Melbourne Market can play a stronger role in the broader fresh food supply chain and ensure the Melbourne Market plays a significant role as an export logistical food hub.

Progress towards objective 5

Indicator	Unit of measure	2017-18	2018-19	2019-20
Understand services to assist in facilitating export	Corporate knowledge	✓	✓	
Industry stakeholders visiting Market	#	✓	✓	

Objective 6: Embrace digital change

Digital technology has the potential to drive disruption to traditional fresh produce trading models, creating challenges, but at the same time, presenting opportunities. As well as embracing digital technology itself, the MMA must take a leadership role in helping our clients manage the challenges and opportunities they present. Digital technology needs to be embraced to improve efficiency, transparency and the exploitation of new business opportunities.

Over the reporting period, the MMA invested significant resources in identifying opportunities in digital transformation. As a result, the MMA developed a digital transformation strategy which involves three phases, to be implemented over a 3 to 5 year period.

The MMA currently uses multiple technology systems and software platforms when interacting with customers, which can be inefficient and frustrating for Market users.

The first phase of the strategy aims to solve this problem through the implementation of a single integrated customer relationship management (CRM) system. Through working with expert consultants in assessing what digital systems the Market needs moving forward, Salesforce has been chosen as the CRM system to be used and is currently being implemented as part of horizon one and elements of horizon two of the strategy.

This first phase of digital infrastructure will allow the MMA to increase efficiency and enhance the Market user experience. Customers will be given access to a self-serve portal which will provide better control and visibility of their interactions with the MMA. The implementation of the portal will see a reduction in paper-based forms which in turn reduces duplication of work for the MMA team.

Market relations officers will be provided with hand-held devices with real-time access to the CRM system, improving the capacity for customer service and operational activity and reducing the time taken for back-office administration duties.

The significant investment in these first technological systems will allow the MMA to build a platform which can be expanded to include integration with other technologies to further support operational efficiency in the future.

Progress towards objective 6

Indicator	Unit of measure	2017-18	2018-19	2019-20
Digital strategy opportunities identified	Corporate knowledge	✓	✓	

PORTFOLIO PERFORMANCE REPORTING - FINANCIAL

Budget portfolio 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.

Five year financial summary

(\$ thousand)

Five year financial summary	2018-19	2017-18	2016-17	2015-16	2014-15
Total revenue	26 060	24,445	24 239	23 849	25 068
Total operating expenditure	(21 999)	(19,959)	(20 893)	(23 357)	(15 769)
Net profit before income tax & depreciation	4 061	4 486	3 346	492	9 299
Depreciation charge	(12 565)	(12,644)	(12 554)	(14 055)	(1 667)
Net result from transactions	(8 504)	(8,158)	(9 208)	(13 563)	7 632
Net result for the period	29 955	2 227	20 899	106 829	7 618
Net cash flow from operating activities	5 150	3 586	3 216	(429)	9 544
Total assets	520 283	490 191	634 619	615 342	508 331
Total liabilities	28 363	28 225	30 880	32 503	32 321

Overview

The MMA recorded an operating profit before tax and depreciation of \$4 million for the 2018-19 financial year and had net cash inflow from operating activities of \$5.1 million.

The depreciation charge reflects usage of the Epping site for wholesale market activities. While the depreciation charge results in an accounting loss, it does not impact on MMA's ability to produce a positive cash flow from operating activities.

The building assets of Epping were revalued at 30 June 2019 based on Valuer-General Victoria indices.

Financial performance business review

Income improved by 6.61 per cent on the prior period with growth in rental income for fruit and vegetable trading stands and wholesale stores, together with additional parking revenue.

Expenses have increased by 10.22 per cent with repairs and maintenance conducted to ensure the site is held to a high standard including line marking of roadways and pedestrian paths. MMA increased the scope of cleaning works to provide deep cleaning to market areas where produce is displayed and sold. Working together with our waste provider, MMA has been able to implement improvements in the way waste is managed across the site with a 37 per cent reduction in waste costs.

The overall comprehensive result is up on the prior year due to the revaluation increment on buildings in the 2018-19 period.

Financial position – balance sheet

Net assets increased by \$30 million over the year to \$492 million, due to the revaluation of buildings.

Cash flows

Cash balances increased by \$1.9 million during the period which allowed MMA to invest in projects such as the unmanned refuelling station aimed at providing site users with additional services complimentary to market operations.

Capital projects/asset investment programs

No capital projects of \$10 million or greater Total Estimated Investment were completed during the 2018-19 financial year.

Subsequent events

There are no reportable events subsequent to the reporting period.

SECTION 2: GOVERNANCE AND ORGANISATIONAL STRUCTURE

Governance and Organisational Structure

The board is responsible for the overall governance, management and strategic direction of the MMA and for delivering accountable corporate performance in accordance with the MMA's goals and objectives.

Board Member	Memberships and attendance	Biography
Peter Tuohey	<p>Commenced as a Board member on 18 January 2017 and was appointed Chairperson until 17 January 2020.</p> <p>Commenced as a member of the MMA Marketing Committee and the MMA Remuneration Committee from February 2017.</p> <p>Peter has attended twelve out of twelve Board meetings.</p>	<p>Peter is a fifth-generation grain, wool and prime lamb producer whose experience in freight and logistics has seen him appointed to a number of advisory roles. Peter is Chair of the Victorian Government's Grains Logistics Taskforce, Director Victorian Ports Corporation (Melbourne), a member of the Ministerial Freight Advisory Council, a member of the Victorian Road Freight Advisory Council, and a member of the Victorian Water Board Selection Panel.</p> <p>He continues to represent the interest of farmers at a state level as a representative on the Victorian Agricultural Advisory Council. At the Victorian Farmers Federation (VFF) he served as President from 2012 to 2016 and Vice President from 2009 to 2012. He was also Chair of the VFF's Farm Business and Regional Development Committee from 2010 to 2013. At the national level, Peter was a Board Director of the National Farmers Federation from 2012 to 2016 and served on its Economics Committee.</p>
Gisela Marven	<p>Commenced as a Board member on 14 June 2011. Her appointment was extended on 22 February 2016 until 31 January 2019. Gisela has been re-appointed for a further three-year term, until April 2022.</p> <p>Continued as a member of the Fruit & Vegetable Wholesalers' Advisory Committee; the MMA Finance, Audit & Risk Management Committee and the Chair of the MMA Remuneration Committee.</p> <p>Gisela has attended twelve out of twelve Board meetings.</p>	<p>Gisela has 40 years' experience in the chicken meat industry, including farming, hatching, feed production, processing and sales along with holding the position of President for the Chicken Meat Council (State) and Chicken Meat Federation (Federal). Gisela was also a Councillor and Shire President for Lilydale Council (major fruit growing area) and a Board Member with VFITC (Victorian Food Industry Training Council) for 15 years.</p>
Jacinta Carboon	<p>Commenced as a Board member on 18 January 2017 and is appointed until 17 January 2020.</p> <p>Commenced as a member of the MMA Remuneration Committee; the Fruit & Vegetable Buyers' Advisory Committee; and the Chair of the MMA Marketing Committee from February 2017.</p> <p>Jacinta has attended twelve out of twelve Board meetings.</p>	<p>Jacinta is the General Manager, Partner Support at Bayley House. Jacinta is also currently a Non-Executive Director of Neami National, Women's Information Referral Exchange and RSPCA Victoria. Jacinta has had an executive career with top ASX 200 companies for over three decades with a strong background in strategy, business development, stakeholder management and sales & marketing.</p>
David Beatty	<p>Commenced as a Board member on 13 March 2018 and is appointed until 17 January 2020.</p> <p>Commenced as a member of the MMA Finance, Audit & Risk Management Committee from March 2018.</p> <p>David has attended twelve out of twelve Board meetings.</p>	<p>David is a Senior Advisor to the global business advisory firm, FTI Consulting. David was a founding Director of Hindal Corporate which specialised in Corporate Advisory and Merger and Acquisition and Capital Raising services to the Private Company market. Hindal was acquired by Credit Suisse in 2008 where he was an Executive Director until his retirement in October 2013.</p> <p>David has conducted assignments in numerous industries including property, rural, retail, wholesale, manufacturing, health and retirement. David holds directorships and advisory roles with a number of privately owned Australian family businesses. He also plays an active role in the community and is involved in a number of not-for-profit boards.</p> <p>Prior to Hindal David spent 27 years with Arthur Andersen (Chartered Accountants) and was an International Partner for 16 years. During this period, he provided financial consulting services to medium to large companies and was also involved in many significant merger and acquisition and divestment transactions. David was in charge of a number of corporate reconstructions through Administrations and Receiverships during this period.</p>
Susan Friend	<p>Commenced as a Board member on 22 February 2016 and is appointed until 31 January 2019. Her appointment was extended in April 2019 until April 2022.</p> <p>Continued as a member of the Flower Industry Advisory Committee and the Chair of the MMA Finance, Audit & Risk Management Committee.</p> <p>Susan has attended twelve out of twelve Board meetings.</p>	<p>Sue is a Chartered Accountant who has a background in forensic accounting, risk assessment and business valuations. She currently works as a consultant to Sapere Research Group, a global expert services firm where she provides accounting advice to legal and regulatory clients.</p> <p>Sue is a Director of South Gippsland Water, independent chair of the Audit and Risk Committee of the County Court of Victoria and an independent audit committee member of the Municipal Association Victoria.</p>

Finance, Audit & Risk Management Committee

The main responsibilities of the 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;
- maintain effective communication with external auditors;
- consider recommendations made by internal and external auditors and review the implementation of actions to resolve issues raised; 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.

Name	Independent	Term	Meetings Attended	Eligible to attend
Gisela Marven	✓	April 2019 - April 2022	3	4
David Beatty	✓	March 2018 - January 2020	4	4
Susan Friend (Chair)	✓	April 2019 - April 2022	4	4

Remuneration Committee

The main responsibilities of the Committee are to:

- ensure appropriate and prudent remuneration management in the MMA.
- set and regularly review the fixed annual remuneration level for the CEO in accordance with guidelines and approvals.
- overview the setting of remuneration levels for all senior staff upon recommendation from the CEO.
- ensure that the remuneration levels for all MMA staff are competitive, bearing in mind relative job size, market sector, organisation performance and capacity to pay.
- overview the structure and operation of any incentive plans as per Government Sector Executive Remuneration Panel (GSERP) guidelines.
- agree performance targets for the CEO as they relate to incentive plans and to ensure that the MMA receives fair performance return for expenditure (current or future).
- overview remuneration practice across the organisation and ensure appropriate controls and systems are in place.

The Committee will meet at least once per year.

Special meetings may be convened if committee members consider that it is necessary and with the approval of the Committee Chairperson.

Name	Independent	Term	Meetings Attended	Eligible to attend
Peter Tuohey	✓	February 2017 - February 2020	1	1
Gisela Marven (Chair)	✓	April 2019 - April 2022	1	1
Jacinta Carboon	✓	February 2017 - February 2020	1	1

Marketing Committee

The main responsibilities of the Committee are to:

- Monitor industry trends and determine potential implications, threats or opportunities for the Melbourne Market and the MMA, then advise the Board appropriately.
- Identify and recommend marketing priorities for the Melbourne Market and the MMA in the context of:
 - Positioning the Melbourne Market as the epicentre of the fresh produce supply chain;
 - Retaining and attracting wholesale customers and associated industries to the Melbourne Market;
 - Support a healthy independent fresh produce (fruit, vegetable, flowers) retail sector; and
 - Progress the 'food hub' concept for the 51ha of expansion land.
- The Committee will meet at least once per year.

Special meetings may be convened if committee members consider that it is necessary and with the approval of the Committee Chairperson.

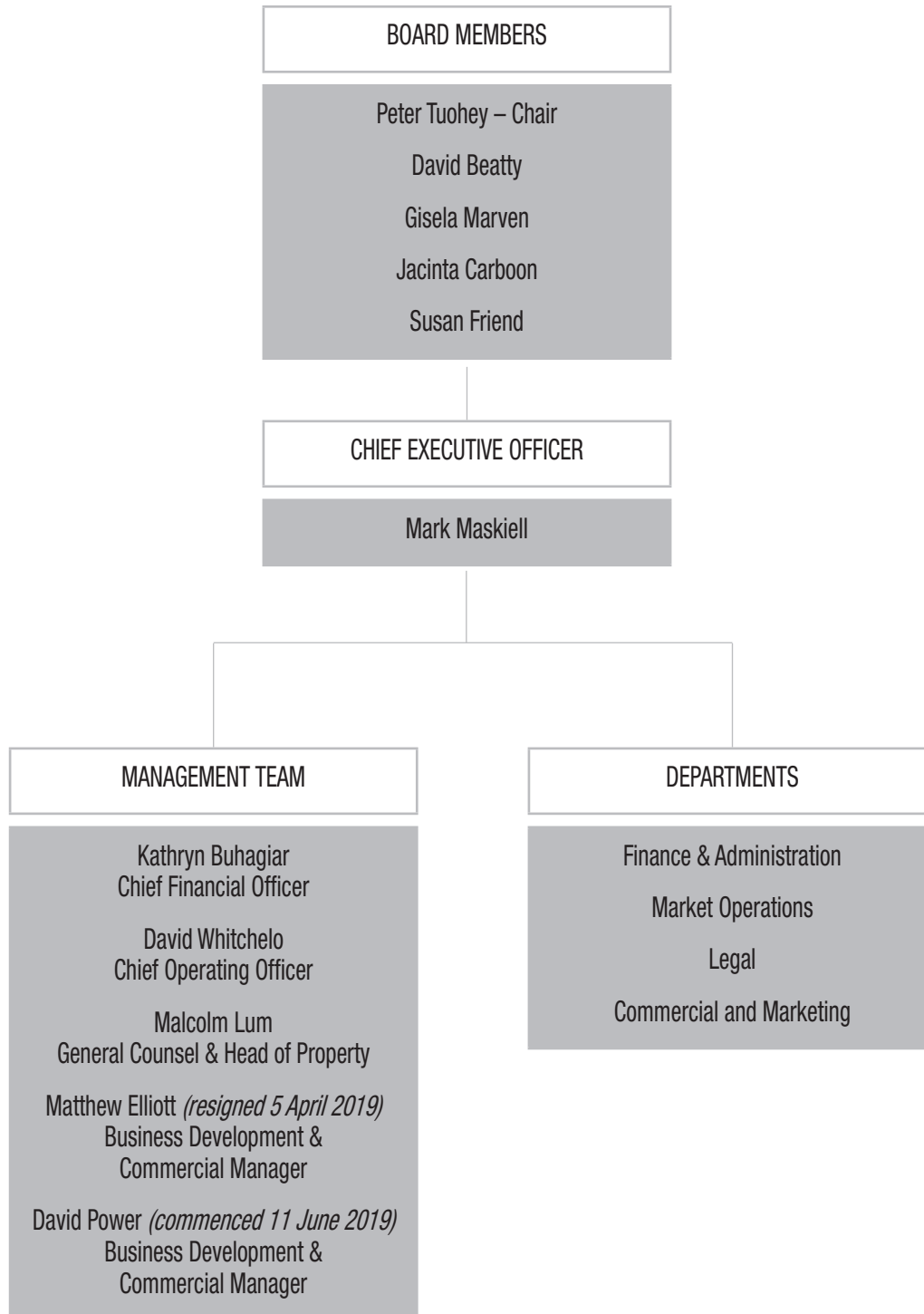
Name	Independent	Term	Meetings Attended	Eligible to attend
Peter Tuohey	✓	February 2017 - February 2020	1	1
Jacinta Carboon (Chair)	✓	February 2017 - February 2020	1	1
Gisela Marven	✓	April 2019 - April 2022	1	1

Audit

Oakton Services Pty Ltd – were contracted to provide internal audit consulting services during 2018-19.

HLB Mann Judd – as a service provider for the Victorian Auditor-General, were contracted to undertake annual financial audit services during 2018-19.

Organisational Chart



Audit Committee membership and roles

The MMA Finance, Audit & Risk Management Committee (the Committee) consisted of the following members in 2018-19:

- Susan Friend, Chairperson (independent);
- Gisela Marven (independent); and
- David Beatty (independent).

The main responsibilities of the 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;
- maintain effective communication with external auditors;
- consider recommendations made by internal and external auditors and review the implementation of actions to resolve issues raised; 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.

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 9001:2015 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.

The MMA has an Occupational Health and Safety policy in place that outlines our commitment to a safety culture and practices that provide for a healthy and safe working environment. The health and safety of all those who work for the MMA (including all employees and contractors) and that of tenants, licensees and visitors is of paramount importance to the MMA.

As part of MMA's continuous drive for a safer work place, a drug and alcohol education training was delivered to all MMA staff. The Melbourne Market is a drug and alcohol-free site, and as such, in conjunction with the education and training piece, random drug and alcohol testing was introduced to MMA staff.

Additional OH&S training was undertaken during the reporting period for MMA staff, including the 'Supporting a Respectful and Safe Workplace' training course was held for all MMA staff members.

OHS incidents

Description	2018-19	2017-18	2016-17
Number of reported hazards	0	0	2
Number of LTIs (Number of incidents resulting in lost time)	0	0	1
Serious Injury Rate (Number of LTIs resulting in greater than one week of lost time)	0	0	1
Total hours lost for the period	0	0	45
Average cost of all LTI claims in this period	0	0	2 530
Fatalities	0	0	0

Note: LTI –Lost time injury

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

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.

Comparative workforce data

The following table discloses the headcount and full-time staff equivalent (FTE) of all active public sector 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 (2019) of the previous reporting period (2018).

Staffing has increased by 2 (1.47 FTE) on the prior year. One additional Property Administrator was employed to meet increasing demand of property associated transactions and addition of one full time Project Manager whose responsibility is delivery of key construction projects.

Table 1: Details of employment levels as of June 2018 and June 2019

	June 2019						June 2018					
	All employees			Fixed term and casual			All employees			Fixed term and casual		
	Number (headcount)	FTE	Full-time (headcount)	Part time (headcount)	Ongoing	Number (headcount)	FTE	Full-time (headcount)	Part time (headcount)	Ongoing	Number (headcount)	FTE
Demographic Data												
Gender												
Male	10	9.63	5	0	5	5	4.63			3	5	5
Female	13	11.54	7	3	9.14	3	2.4			8	3	2.4
Self-described	n	n	n	n	n	n	n			n	n	n
Age												
15-24	4	3.63	0	0	0	4	3.63			0	0	0
25-34	3	2.6	1	1	1.6	1	1			1	1	1
35-44	9	8.7	4	2	5.54	0	0			4	4	4
45-54	8	7.4	5	0	5	3	2.4			5	3	2.4
55-64	1	1	2	0	2	0	0			1	0	0
65+	0	0	0	0	0	0	0			0	0	0
Classification Data												
VPS 1-7 grades	16	14.17	10	3	12.14	3	2.03			11	2	12.3
VPS 1	1	1	1	0	1	0	0			1	0	0
VPS 2	1	1	1	0	1	0	0			1	0	0
VPS 3	3	2.63	2	0	2	1	0.63			2	1	1.0
VPS 4	2	2	2	0	2	0	0			2	0	0
VPS 5	4	3.44	1	2	2.44	1	1			2	0	0
VPS 6	2	2	2	0	2	0	0			2	0	0
VPS 7	3	2.1	1	1	1.7	1	0.4			1	1	0.4
Senior Employees	7	7	2	0	2	5	5			0	6	6
STS	2	2	2	0	2	0	0			0	1	1
Executives	5	5	0	0	0	5	5			0	5	5
Other	0	0	0	0	0	0	0			0	0	0
Total employees	23	21.17	12	3	14.14	8	7.03			11	2	12.3

Note: FTE – Full time equivalent, VPS – Victorian Public Sector, STS – Senior Technical Specialist

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	0	1				
\$160 000 - \$179 999	2	1				
\$180 000 - \$199 000	1					
\$200 000 - \$219 999						
\$220 000 - \$239 999	1					
\$240 000 - \$259 999						
\$260 000 - \$279 999						
\$280 000 - \$299 999						
Total	4	2	0	0	0	0

Note: The salaries reported above are for the full financial year, at a 1-FTE rate, and exclude superannuation.

STS – Senior Technical Specialist, PS - Principal Scientist, SMA – Senior Medical Advisor, SRA – Senior Regulatory Analyst

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 2019:

- 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 8.4 '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

Class	All		Men		Women	
	No.	Var.	No.	Var.	No.	Var.
MMA	4	0	3	0	1	0
Total	4	0	3	0	1	0

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 8.3 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

	2018	2017
Executives (Financial Statement Note 8.4)	5	5
Accountable Officer (CEO)	1	1
Less Separations	-1	-1
Total executive numbers at 30 June	5	5

SECTION 4: OTHER DISCLOSURES

Local Jobs First

The *Local Jobs First Act 2003* introduced in August 2018 brings together the Victorian Industry Participation Policy (VIPP) and Major Project Skills Guarantee (MPSG) policy which were previously administered separately.

The Melbourne Market Authority is required to apply the Local Job first policy in all projects valued at \$3 million or more in Metropolitan Melbourne or for state-wide projects, or \$1 million or more for projects in regional Victoria.

MPSG applies to all construction projects valued at \$20 million or more.

The MPSG guidelines and VIPP guidelines will continue to apply to MPSG applicable and VIPP applicable projects respectively where contracts have been entered prior to 15 August 2018.

During the 2018-19 reporting period two tenders were released (not awarded during reporting period) that require compliance with the Local Jobs First – Victorian Industry Participation Policy:

- Warehouse 7 construction valued at approximately \$10 million
- Canopy project to provide additional undercover parking valued at approximately \$13 million

Government Advertising Expenditure

The MMA's expenditure in the 2018-19 reporting period on government campaign expenditure did not exceed \$100 000.

Consultancy Expenditure

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

In 2018-19, there were nine consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2018-19 in relation to these consultancies is \$664,013 (excluding GST). Details of individual consultancies are outlined below.

(\$dollars)						
Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excl. GST)	Expenditure 2017-18 (excl. GST)	Future expenditure (excl. GST)
Allens	Utilities advisory services	Ongoing	Ongoing	16,827	16,827	Ongoing
Cardno Victoria	Traffic management advisory	Ongoing	Ongoing	10,660	10,660	Ongoing
Honeylight Consulting	IT support services	May-19	May-19	15,000	14,700	Nil
K&L Gates	Legal advisory services	Ongoing	Ongoing	27,984	27,984	Ongoing
Landell Consulting	Procurement advisory services	July-18	Nov-18	24,000	24,000	Nil
Minter Ellison	Legal advisory services	Ongoing	Ongoing	11,189	11,189	Ongoing
Price Waterhouse Coopers Consulting	Digital advisory and implementation	Sep-18	Dec-19	497,938	497,938	Ongoing
Russell Kennedy	Legal advisory services	Ongoing	Ongoing	41,515	41,515	Ongoing
WTP Australia	Property advisory services	Ongoing	Ongoing	19,200	19,200	Ongoing

Notably MMA has partnered with PricewaterhouseCoopers (PwC) Consulting to deliver on digital aspirations during the year. Technology solutions are being implemented that will improve the level of mobility in delivering customer service, ease of access to the site for Market users as well as an online self-service customer portal.

Details of individual consultancies are outlined on the MMA's website at www.melbournemarket.com.au

Details of consultancies under \$10,000

In 2018-19, there were 22 consultancies engaged during the year, where the total fee payable to the individual consultancies was less than \$10,000. The total expenditure during 2018-19 in relation to these consultancies was \$93,536 (ex. GST).

Information and communication technology expenditure

Details of information and communication technology (ICT) expenditure

For the 2018-19 reporting period, the MMA had a total ICT expenditure of \$699,484, 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>Capital expenditure</i>
(Total)	(Total = Operational expenditure and capital expenditure)		
548,107	151,377	38,695	112,682
		NonBAU Opex	NonBAU Capex

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

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

The MMA did not award any major contracts during 2018-19.

Freedom of Information

The Freedom of Information Act 1982 allows the public a right of access to documents held by the MMA. The purpose of the Act is to extend as far as possible the right of the community to access information held by government departments, local councils, Ministers and other bodies subject to the Act.

An applicant has a right to apply for access to documents held by the MMA. This comprises documents both created by the MMA or supplied to the MMA by an external organisation or individual, and may also include maps, photographs, computer printouts, and videotapes.

The Act allows the MMA to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include: cabinet documents; some internal working documents; law enforcement documents; documents covered by legal professional privilege, such as legal advice; personal information about other people; and information provided to MMA in-confidence.

From 1 September 2017, the Act has been amended to reduce the Freedom of Information (Fol) processing time for requests received from 45 to 30 days. In some cases, this time may be extended.

If an applicant is not satisfied by a decision made by the MMA, under section 49A of the Act, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter.

Making a request

Fol requests can be lodged online at www.foi.vic.gov.au. An application fee of \$29.60 applies. Access charges may also be payable if the document pool is large, and the search for material, time consuming.

Access to documents can also be obtained through a written request to the MMA's Freedom of Information team, as detailed in s17 of the Freedom of Information Act 1982.

When making an Fol request, applicants should ensure requests are in writing, and clearly identify what types of material/documents are being sought.

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

Fol statistics/timeliness

During 2018-19, the MMA received no Fol applications.

Further information

Further information regarding the operation and scope of FoI can be obtained from the Act; regulations made under the Act; and foi.vic.gov.au.

Compliance with the *Building Act 1993*

The MMA owns or controls 11 government buildings located at 55 Cooper Street, Epping, and consequently is required to include a statement on its compliance with the building and maintenance provisions of the Building Act 1993 in relation to that building.

The MMA complied with the Building Act 1993, the Building Regulations 2006 and associated statutory requirements and amendments during the reporting period. When required, a Certificate of Final Inspection, endorsed by a Registered Building Surveyor Practitioner, is obtained for new facilities or upgrades to existing facilities. These works are 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.

The MMA requires that appropriately qualified and accredited professional service providers and contractors are engaged for all proposed works on land controlled by the MMA and that their work and services comply with current building standards. The MMA has established guidelines and authorisation protocols in place to ensure all work is monitored. Service Providers and contractors are expected to have appropriate mechanisms in place to ensure compliance with the building and maintenance provisions of the Building Act 1993, Building Regulations 2018 and the National Construction Code.

In relation to existing buildings, MMA's Asset Maintenance Unit is responsible for mandatory testing of emergency and exit lighting and lift equipment in accordance with relevant standards, monthly, quarterly and bi-annual inspection and preventive maintenance routine of mechanical services and monthly and annual fire service audits. These inspections then inform the works program which is delivered annually through existing maintenance contracts.

In 2018-2019:

Number of major works projects undertaken (>\$50 000)	0
number of building permits, occupancy permits or certificate of final inspection issued in relation to buildings owned	3 building permits 0 occupancy permits 2 certificates of occupancy
number of emergency orders and building orders issued in relation to buildings	0 emergency orders 0 building orders
number of buildings that have been brought into conformity with building standards during the year	0 buildings brought into conformity

Competitive Neutrality Policy

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 competition 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 continues to comply with the requirements of the Competitive Neutrality Policy against the enhanced principles as required under the Competition Principals Agreement and Competition 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 PD 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

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 2004*.

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.

The waste generated by processes within the Melbourne Market is divided into three general classes, landfill, organics and recycling. Provided Market users separate their waste into the recycling streams of cardboard, plastic, polystyrene, wood and organics it can be disposed of free of charge. Pine pallet recycling drop off points were created for free deposit and reuse of pine pallets reducing wood products to landfill. The promotion and education of waste management practices with Market users was the primary driver for the reduction in landfill deposits and the increase in recycled waste during the reporting period.

With initiatives already in place, the Market exceeded its target and achieved a recycling rate of 97%.

Energy

The energy decrease during the current reporting period was primarily due to the replacement of all current light fittings with highly efficient LED luminaires delivering a substantial reduction in energy consumption. Whilst this project was completed in the previous reporting period a full 12-months of reporting energy consumption has now been realised. The project 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 reductions programs.

Indicator	2018-19			2017-18		
	Electricity	Natural Gas	Total	Electricity	Natural Gas	Total
Total energy usage segmented by primary source (MJ)	30,779,463	2,155,391	32,934,854	41,210,426	2,213,341	43,423,767
Greenhouse gas emissions associated with energy use, segments by primary source and offsets (t CO ₂ e)	13,781	114	13,895	15,707	117	15,824

Actions undertaken

Replaced light fittings with LED luminaries. The implementation of this resulted in the reduction of equivalent 5,900 tonnes CO₂

Targets

The following targets have been set for 2019-20:

- Investigate the feasibility of solar system installation on critical plant and high use areas

The MMA is committed to reducing its environmental impact and to achieve savings in energy and CO₂ emissions. Following the investigation, the MMA determined that the timing is appropriate to investigate extensive renewable energy production on-site.

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 practice with Market users and identifying cost reduction with waste segregation practices at the point of generation were 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 1,045,460 kilograms of organic waste to the facility for the year ending June 2019. A further 536,780 kilograms of organic produce was distributed to Food Bank Victoria as part of our waste reduction strategy.

Indicator	2018-19				2017-18			
	Landfill	Commingle recycling	Compost	Total	Landfill	Commingle recycling	Compost	Total
Total units of waste disposed (kg/yr)	82,040	1,885,720	1,045,460	3,013,220	336,860	2,632,990	1,521,900	4,491,750
Recycling rate (percentage of total waste)	2.7%	62.6%	34.7%	97.3%	7.5%	58.6%	34%	92.6%
Green-house gas emissions associated with waste disposal (t CO ₂ -e)				74				300

Actions undertaken

Introduction of pine pallet recycling stations

Targets

- Maintain existing recycling rate at 97%
- Investigate the replacement of single-use plastics in the cafes with bio-digestible products

Paper

The MMA has responded to customer feedback suggesting that some communication is preferred in hard copy format resulting in an increased use of paper in 2018-19

Indicator	2018-19	2017-18
Total units of copy paper used (reams)	606	534
Units of copy paper used per FTE (reams/FTE)	21	27
Percentage of 50-74% recycled content copy paper purchased	100%	100%

Targets

- Implement the MMA's digital transformation strategy which will identify further opportunities to shift behaviour to online as opposed to paper-based forms

Water

The water consumption during the reporting period has increased by 11.6 per cent compared to the previous reporting period.

The contributing factors were a decrease in rainfall on the previous year and an inability to utilise the same amount of recycled water from roof water catchments.

<i>Indicator</i>	<i>2018-19</i>	<i>2017-18</i>
Total units of metered water consumed by usage types (kilolitres)	32,727,000	29,334,000
Units of measured water consumed in office offices per FTE (kilolitres/FTE)	n/a	n/a

Targets

- Increase water catchment area with construction of warehouse 7

Transport

The MMA does not have fleet vehicles

Aeroplane travel decreased during the reporting period due to no long-haul flights and only domestic flights to attend three industry conferences.

<i>Indicator</i>	<i>2018-19</i>	<i>2017-18</i>
Total distance travelled by aeroplane	5,285	102,662

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.

<i>Indicator</i>	<i>2018-19</i>	<i>2017-18</i>
Total greenhouse gas emissions associated with energy use (t CO ₂ e)	13,894	15,824
Total greenhouse gas emissions associated with vehicle fleet (t CO ₂ e)	-	-
Total greenhouse gas emissions associated with air travel (t CO ₂ e)	3	27
Total greenhouse gas emissions associated with waste production (t CO ₂ e)	74	300

Actions undertaken

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 2019-20:

- Continue LED light fitting replacement throughout the site reducing greenhouse gas emissions

Additional information available on request

In compliance with the requirements of the Standing Directions 2018 under the Financial Management Act 1994, 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) a statement of declaration of pecuniary interests have been duly completed by all relevant officers;
- b) details of shares held by a senior officer/s as nominee or held beneficially in a statutory authority or subsidiary;
- c) details of publications produced by the entity about itself, and how these can be obtained;
- d) details of changes in prices, fees, charges, rates and levies charged by the entity;
- e) details of any major external reviews carried out on the entity;
- f) details of major research and development activities undertaken by the entity;
- g) details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- h) details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services;
- i) details of assessments and measures undertaken to improve the occupational health and safety of employees;
- j) a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes;
- k) a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved; and
- l) details of all consultancies and contractors including:
 - (i) consultants/contractors engaged;
 - (ii) services provided; and
 - (iii) expenditure committed to for each engagement

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) a list of the MMA's major committees and the purposes of each committee on page 15; and
- (b) details of all consultancies and contractors including consultant/contractors engaged; services provided; and expenditure committed for each engagement on page 22.

MELBOURNE MARKET AUTHORITY

Financial Management Compliance Attestation Statement

I Mark Maskiell, certify that MMA has complied with the applicable Standing Directions of the Assistant Treasurer under the Financial Management Act 1994 and Instructions.



Chief Executive Officer
Melbourne Market Authority
5 September 2019

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 in electronic readable format.

MELBOURNE MARKET AUTHORITY

DISCLOSURE INDEX

The annual report of the Melbourne Market Authority (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	15
FRD 22H	Purpose, functions, powers and duties	6
FRD 8D	Departmental objectives, indicators and outputs	7
FRD 22H	Key initiatives and projects	7
FRD 22H	Nature and range of services provided	6
Management and structure		
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Financial and other information		
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FRD 22H	Major changes or factors affecting performance	13
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FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	23
FRD 22H	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	23
FRD 22H	Statement on National Competition Policy	24
FRD 22H	Application and operation of the <i>Protected Disclosure Act 2012</i>	24
FRD 22H	Application and operation of the <i>Carers Recognition Act 2012</i>	25
FRD 22H	Details of consultancies over \$10 000	22
FRD 22H	Details of consultancies under \$10 000	22
FRD 22H	Disclosure of government advertising expenditure	22
FRD 22H	Disclosure of ICT expenditure	22
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FRD 24C	Reporting of office-based environmental impacts	25

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FRD 25D	Local Jobs First	22
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Declaration

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Other requirements under Standing Directions 5.2

SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	34
SD 5.2.1(a)	Compliance with Standing Directions	34
SD 5.2.1(b)	Compliance with Model Financial Report	82

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	N/A
FRD 13	Disclosure of Parliamentary Appropriations	
FRD 21C	Disclosure of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	73
FRD 103H	Non-Financial Physical Assets	48
FRD 110A	Cash Flow Statements	57
FRD 112D	Defined Benefit Superannuation Obligations	46
FRD 114C	Financial Instruments - general government entities and public non-financial corporations	

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>	23
<i>Building Act 1993</i>	23
<i>Protected Disclosure Act 2012</i>	24
<i>Carers Recognition Act 2012</i>	25
<i>Local Jobs Act 2003</i>	22
<i>Financial Management Act 1994</i>	28

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 2019 in the following structure to provide users with the information about the MMA's stewardship of resources entrusted to it.

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MELBOURNE MARKET AUTHORITY

DECLARATION IN THE FINANCIAL STATEMENTS

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 Assistant Treasurer 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 2019 and financial position of the MMA at 30 June 2019.

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 5 September 2019.



K Buhagiar
Chief Financial Officer

Melbourne
5 September 2019



M Maskiell
Chief Executive Officer

Melbourne
5 September 2019



P Tuohey
Chairperson

Melbourne
5 September 2019

Independent Auditor's Report

To the Members of the Melbourne Market Authority

Opinion	<p>I have audited the financial report of the Melbourne Market Authority (the authority) which comprises the:</p> <ul style="list-style-type: none">• balance sheet as at 30 June 2019• comprehensive operating statement for the year then ended• statement of changes in equity for the year then ended• cash flow statement for the year then ended• notes to the financial statements, including significant accounting policies• declaration in the financial statements. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the authority as at 30 June 2019 and their 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>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards 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 Victoria. 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>
Members' responsibilities for the financial report	<p>The 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 control as the Members determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Members are responsible for assessing the authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

**Auditor's
responsibilities
for the audit
of the financial
report**

As required by the *Audit Act 1994*, 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.

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:

- 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 my 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.
- 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
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Members
- conclude on the appropriateness of the 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.
- 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.

I communicate with the 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.

MELBOURNE
5 September 2019



Simone Bohan
as delegate for the Auditor-General of Victoria

MELBOURNE MARKET AUTHORITY

Comprehensive operating statement

For the financial year ended 30 June 2019

(\$ dollars)

	Notes	2019	2018
Continuing operations			
Income from transactions			
Interest revenue	2.2.1	590,109	550,820
Rental income	2.2.2	22,010,364	20,396,665
Parking	2.2.2	3,309,036	3,206,529
Other income		150,891	291,440
Total income from transactions		26,060,400	24,445,454
Expenses from transactions			
Employee expenses	3.1.1	(3,220,446)	(2,811,233)
Depreciation and amortisation	4.1.1	(12,565,309)	(12,644,145)
Interest expense	6.1	(1,129,279)	(1,177,971)
Other operating expenses	3.2	(17,649,724)	(15,970,388)
Total expenses from transactions		(34,564,758)	(32,603,737)
Net result from transactions (net operating balance)		(8,504,358)	(8,158,283)
Other economic flows included in net result			
Net gain/(loss) on non-financial assets		(5,570)	(4,594)
Other gains/(losses) from other economic flows		2,641	923
Total other economic flows included in net result		(2,929)	(3,671)
Net result		(8,507,287)	(8,161,954)
Other economic flows - other comprehensive income:			
Items that will not be reclassified to net result			
Changes in physical asset revaluation surplus	8.1	38,461,987	10,388,889
Total other economic flows - other comprehensive income		38,461,987	10,388,889
Comprehensive result		29,954,700	2,226,935

The accompanying notes form part of these financial statements.

MELBOURNE MARKET AUTHORITY

Balance sheet

As at 30 June 2019

(\$ dollars)

	Notes	2019	2018
Assets			
Financial assets			
Cash and deposits	6.2	9,948,299	8,013,416
Receivables	5.1	1,308,095	1,433,338
Investments and other financial assets	4.3	25,000,000	25,000,000
Total financial assets		36,256,394	34,446,754
Non-financial assets			
Property, plant & equipment	4.1	483,273,773	455,482,659
Intangible assets	4.2	459,246	144,152
Prepayments		293,442	117,245
Total non-financial assets		484,026,461	455,744,056
Total assets		520,282,855	490,190,810
Liabilities			
Payables	5.2	7,075,772	6,052,924
Borrowings	6.1	21,000,000	22,000,000
Employee related provisions	3.1.2	286,907	172,409
Total liabilities		28,362,679	28,225,333
Net assets		491,920,176	461,965,477
Equity			
Accumulated surplus		141,783,718	150,291,006
Physical asset revaluation surplus	8.1	136,329,721	97,867,734
Contributed capital		213,806,737	213,806,737
Net worth		491,920,176	461,965,477

The accompanying notes form part of these financial statements.

MELBOURNE MARKET AUTHORITY

Cash flow statement

For the financial year ended 30 June 2019

(\$ dollars)

	Notes	2019	2018
Cash flows from operating activities			
Receipts			
Receipts from customers		25,672,037	23,729,784
Receipts from government		-	142,224
Interest received		519,483	558,164
Other receipts		150,891	149,216
Total receipts		26,342,411	24,579,388
Payments			
Payments to suppliers and employees		(19,711,006)	(19,862,119)
Goods and services tax paid to the ATO ^(a)		(582,500)	(206,806)
Interest and other costs of finance paid		(898,921)	(924,258)
Total payments		(21,192,427)	(20,993,183)
Net cash flows from/(used in) operating activities	6.2.1	5,149,984	3,586,205
Cash flows from investing activities			
Purchases of non-financial assets		(2,299,312)	(2,009,810)
Proceeds from disposals of PPE		84,211	68,539
Net cash flows(used in) investing activities		(2,215,101)	(1,941,271)
Cash flows from financing activities			
Repayment of borrowings		(1,000,000)	(1,000,000)
Net cash flows (used in) financing activities		(1,000,000)	(1,000,000)
Net increase in cash and cash equivalents		1,934,883	644,934
Cash at the beginning of the financial year		8,013,416	7,368,482
Cash at the end of the financial year	6.2	9,948,299	8,013,416

The accompanying notes form part of these financial statements.

Note:

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

MELBOURNE MARKET AUTHORITY

Statement of changes in equity

For the financial year ended 30 June 2019

(\$ dollars)

	Notes	Physical asset revaluation surplus	Accumulated surplus	Contributed capital	Total
Balance at 1 July 2017		201,416,645	44,515,158	357,806,737	603,738,539
Net result for the year		-	(8,161,952)	-	(8,161,952)
Other comprehensive income for the year*	8.1	10,388,889	-	-	10,388,889
Transfer to accumulated surplus		(113,937,800)	113,937,800	-	-
Transfer due to disposal		-	-	(144,000,000)	(144,000,000)
Balance at 30 June 2018		97,867,734	150,291,006	213,806,737	461,965,476
Net result for the year		-	(8,507,287)	-	(8,507,287)
Other comprehensive income for the year*	8.1	38,461,987	-	-	38,461,987
Balance at 30 June 2019		136,329,721	141,783,718	213,806,737	491,920,176

The accompanying notes form part of these financial statements.

*Note:

(2018) Management revaluation of land was performed in line with Valuer-General Victoria (VGV) land indices as at 30 June 2018, and resulted in a revaluation increment of \$10,388,889.

(2019) Management revaluation of buildings was performed in line with Valuer-General Victoria (VGV) building indices as at 30 June 2019, and resulted in a revaluation increment of \$38,461,987.

The West Melbourne site was divested to the Crown 18 July 2017, as a transfer through contributed capital.

MELBOURNE MARKET AUTHORITY

1. ABOUT THIS REPORT

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

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 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 MMA.

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.

- fair value of non-financial physical assets (Note 7.3)
- estimated of useful lives (Note 4.1.1)

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 MMA as an individual reporting entity and include all the controlled activities of 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 AASs 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

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 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	2019	2018
Interest income	2.2.1	590,109	550,820
Rental income	2.2.2	22,010,364	20,396,665
Parking income	2.2.2	3,309,036	3,206,529
Other income		150,891	291,440
Total income from transactions		26,060,400	24,445,454

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.

2.2 INCOME FROM TRANSACTIONS

2.2.1 INTEREST INCOME

	(\$ dollars)	
	2019	2018
Interest from financial assets not at fair value through profit and loss		
Interest on bank deposits	590,109	550,820
Total interest from financial assets not at fair value through profit and loss	590,109	550,820

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)	
	2019	2018
Rental income		
Fruit and vegetable trading stands	2,980,005	2,961,319
Wholesale stores and warehouses	9,745,086	9,341,393
Flower trading stands	1,431,096	1,392,272
Other commercial rents	7,854,177	6,701,681
Total rental income	22,010,364	20,396,665
Parking	3,309,036	3,206,529
Total rental and parking income	25,319,400	23,603,194

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 MMA with lease terms of between one to fifteen years, with an option to renew for a further term. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. 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)	
	2019	2018
Non-cancellable operating lease receivables		
Not longer than one year	11,826,336	11,262,088
Longer than one year but not longer than five years	6,838,888	10,947,885
Longer than five years	666,919	280,538
Total non-cancellable operating lease receivables	19,332,143	22,490,511

Leases have a commencement date of 31 August 2015, and have lease terms of 1, 3, 5, and 10 years.

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3. THE COST OF DELIVERING SERVICES

Introduction

This section provides an account of the expenses incurred by 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	2019	2018
Employee benefit expenses	3.1.1	3,220,446	2,811,233
Other operating expenses	3.2	17,880,082	16,224,101
Total expenses incurred in delivery of services		21,100,528	19,035,334

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)	
	2019	2018
Defined contribution superannuation expense	249,377	232,028
Salaries and wages, annual leave and long service leave	2,971,069	2,579,205
Total employee expenses	3,220,446	2,811,233

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).

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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)	
	2019	2018
Current provisions:		
Annual leave		
Unconditional and expected to settle within 12 months	111,007	76,481
Unconditional and expected to settle after 12 months	18,654	18,126
Long service leave		
Unconditional and expected to settle within 12 months	20,108	7,215
Unconditional and expected to settle after 12 months	8,225	28,860
Provisions for on-costs		
Unconditional and expected to settle within 12 months	22,707	13,880
Unconditional and expected to settle after 12 months	3,202	6,982
Total current provisions for employee benefits	183,903	151,544
Non-current provisions:		
Employee benefits	89,281	18,166
On-costs	13,723	2,699
Total non-current provisions for employee benefits	103,004	20,865
Total provisions for employee benefits	286,907	172,409

Reconciliation of movement in on-cost provision

	(\$ dollars)	
	2019	2018
Opening balance	23,561	31,165
Additional provisions recognised	46,740	24,640
Reductions arising from payment/other sacrifices of future economic benefits	(30,669)	(32,244)
Closing balance	39,632	23,561
Current	25,909	20,862
Non-current	13,723	2,699

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 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 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 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 comprehensive operating statement as it is taken.

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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 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 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.

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.

	(\$ dollars)			
	<i>Paid contribution for the year</i>		<i>Contribution outstanding at year end</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Defined contribution plans				
Vision Super (Default fund)	18,486	20,427	-	1,370
Other	240,473	211,601	423	25,212
Total	258,959	232,028	423	26,582

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3.2 OTHER OPERATING EXPENSES

		(\$ dollars)	
	Notes	2019	2018
Supplies and services			
Market operations		4,393,622	3,963,298
Repairs and maintenance		1,812,860	1,930,062
Fuels, rates and taxes		5,924,265	4,680,943
Marketing and media		358,941	267,974
Audit and insurance		401,732	500,202
Professional services		3,686,412	2,848,853
Other		1,138,484	1,345,058
Subtotal		17,716,316	15,536,390
Bad and doubtful debts from transactions		(66,592)	425,298
Ex-gratia expense		-	8,700
Total other operating expenses		17,649,724	15,970,388

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.

Ex-gratia payments were made for the reimbursement of office costs to members of the MMA's advisory committees.

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4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Introduction

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 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	
	2019	2018	2019	2018	2019	2018
Land at fair value	71,500,000	71,500,000	-	-	71,500,000	71,500,000
Buildings at fair value	410,794,874	407,790,495	-	24,493,977	410,794,874	383,296,518
Capital works in progress	302,668	115,669	-	-	302,668	115,669
Plant, equipment and vehicles at fair value						
- Market equipment	664,433	627,059	531,504	457,168	132,929	169,891
- Motor vehicles	402,349	362,600	211,416	241,514	190,933	121,086
- Computer equipment	819,067	618,951	497,389	360,575	321,678	258,376
- Office plant and equipment	81,195	61,697	50,504	40,578	30,691	21,119
Net carrying amount	484,564,586	481,076,471	1,290,813	25,593,812	483,273,773	455,482,659

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.

The cost of leasehold improvements is capitalised and depreciated over the shorter of the remaining term of the lease or their estimated useful lives.

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 and 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 on the next page by asset category.

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

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4.1 TOTAL PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 the CSO adjustment is also equally applicable to market participants.

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

Vehicles are valued using the depreciated replacement cost method. 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 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.

Refer to Note 7.3 for additional information on fair value determination of property, plant & equipment.

Impairment of property, plant and equipment

The recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 Fair Value Measurement, with the consequence that AASB 136 does not apply to such assets that are regularly revalued.

4.1.1 DEPRECIATION AND AMORTISATION

Charge for the period		(\$ dollars)	
	Notes	2019	2018
Buildings		12,226,641	12,281,450
Market equipment		74,336	71,832
Motor vehicles		32,030	35,695
Computer equipment		145,052	129,800
Office plant and equipment		9,926	7,862
Computer software	4.2	77,324	117,506
Total depreciation and amortisation		12,565,309	12,644,145

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, on the next page:

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Asset	(years) Useful Life
Buildings - shell structures	50 years
Buildings - engineering services and central plant	40 years
Buildings - fitout	25 years
Computer equipment	3 years
Motor vehicles	6 years
Market equipment	6 years
Office plant and equipment	6 years

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

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 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 CARRYING VALUES BY 'PURPOSE' GROUP

	(\$ dollars)	
	<i>Public safety and environment</i>	
	<i>Net carrying amount</i>	
	2019	2018
Land at fair value	71,500,000	71,500,000
Buildings at fair value	410,794,874	383,296,518
Capital works in progress	302,668	115,669
Plant, equipment and vehicles		
- Market equipment	132,929	169,891
- Motor vehicles	190,933	121,086
- Computer equipment	321,678	258,376
- Office plant and equipment	30,691	21,119
Net carrying amount	483,273,773	455,482,659

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

	Freehold Land		Buildings		Market Equip.		Motor Vehicles		Computer Equip.		Office Plant & Equip.		Works In Progress		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Opening balance	71,500,000	61,111,111	383,296,518	393,804,038	169,891	233,719	121,086	113,725	258,376	335,369	21,119	27,513	115,669	86,269	455,482,659	455,711,744
Additions	-	-	1,263,010	1,801,079	37,374	8,005	191,574	88,423	208,439	53,423	19,498	1,468	186,999	29,400	1,906,894	1,981,797
Disposals	-	-	-	(27,150)	-	-	(89,697)	(45,368)	(85)	(615)	-	-	-	-	(89,782)	(73,133)
Transfer in/out of assets under construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of PPE	-	10,388,889	38,461,987	-	-	-	-	-	-	-	-	-	-	-	38,461,987	10,388,889
Impairment of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	(12,226,641)	(12,281,450)	(74,336)	(71,833)	(32,030)	(35,694)	(145,052)	(129,800)	(9,926)	(7,862)	-	-	(12,487,985)	(12,526,639)
Closing balance	71,500,000	71,500,000	410,794,874	383,296,518	132,929	169,891	190,933	121,086	321,678	258,377	30,691	21,119	302,668	115,669	483,273,773	455,482,659

Note:

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

In 2018 a 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) to warrant revaluation. The next scheduled full revaluation for this purpose group will be conducted in 2021.

In 2019 a management revaluation was performed for Buildings based on movement advised in VGV building 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) to warrant revaluation. The next scheduled full revaluation for this purpose group will be conducted in 2021.

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4.2 INTANGIBLE ASSETS

	Computer software	
	2019	2018
Gross carrying amount		
Opening balance	870,245	842,232
Additions	12,134	28,013
Additions under development	380,284	-
Disposals	(23,573)	-
Closing balance	1,239,090	870,245
Accumulated depreciation, amortisation and impairment		
Opening balance	(726,093)	(608,587)
Amortisation expense	(77,324)	(117,506)
Disposal	23,573	-
Closing balance	(779,844)	(726,093)
Net book value at end of financial year	459,246	144,152

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:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- an intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- 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 amortised 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)	
	2019	2018
Current investments and other financial assets		
Australian dollar term deposits > three months	25,000,000	25,000,000
Total current investments and other financial assets	25,000,000	25,000,000
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
<i>2019</i>						
Term deposits	25,000,000	25,000,000	-	-	-	-
Total	25,000,000	25,000,000	-	-	-	-
<i>2018</i>						
Term deposits	25,000,000	25,000,000	-	-	-	-
Total	25,000,000	25,000,000	-	-	-	-

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5. OTHER ASSETS AND LIABILITIES

Introduction

This section sets out those assets and liabilities that arose from MMA's controlled operations.

Structure

5.1 Receivables

5.2 Payables

5.1 RECEIVABLES

	(\$ dollars)	
	2019	2018
Contractual		
Rental revenue	1,284,007	1,647,896
Provision for doubtful contractual receivables	(131,594)	(345,781)
Accrued investment income	155,682	85,056
Statutory		
Amounts owing from Victorian Government	-	18,644
GST input tax credit recoverable	-	27,523
Total receivables	1,308,095	1,433,338
<i>Represented by</i>		
Current receivables	1,246,946	1,333,638
Non-current receivables	61,149	99,700

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 for disclosure purposes. Amounts recognised from the Victorian Government represent money owing from site services provided in the ordinary course of business.

Details about the MMA's impairment policies, the MMA's exposure risk and the calculation of the loss allowance are set out in note 7.1.3.

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5.2 PAYABLES

(\$ dollars)

	2019	2018
Contractual		
Supplies and services	2,864,184	2,810,412
Interest payable	184,911	189,037
Tenant bonds and retention monies	270,404	367,003
Rentals in advance	2,098,814	1,746,177
Statutory		
FBT payable	14,086	15,261
GST payable	18,947	-
Other taxes payable	1,624,426	925,034
Total current payables	7,075,772	6,052,924
<i>Represented by:</i>		
Current payables	6,805,368	5,685,921
Non-current payables	270,404	367,003

Payables consist of:

- **contractual payables**, classified as financial instruments 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 payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

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

Maturity analysis of contractual payables ^(a)

(\$ dollars)

	Carrying amount	Nominal amount	Maturity dates			
			Less than 1 month	1-3 months	3 months - 1 year	1 - 5 years
2019						
Supplies and services	2,864,184	2,864,184	2,864,184	-	-	-
Tenant bonds and retention monies	270,404	270,404	-	-	-	270,404
Other payables	184,911	184,911	-	184,911	-	-
Total	3,319,499	3,319,499	2,864,184	184,911	-	270,404
2018						
Supplies and services	2,810,412	2,810,412	2,810,412	-	-	-
Tenant bonds and retention monies	367,003	367,003	-	-	-	367,003
Other payables	189,037	189,037	-	189,037	-	-
Total	3,366,452	3,366,452	2,810,412	189,037	-	367,003

Note:

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

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6. HOW WE FINANCED OUR OPERATIONS

Introduction

This section provides information on the sources of finance utilised by MMA during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of 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)	
	2019	2018
Current borrowings		
Loans from TCV	1,000,000	1,000,000
Total current borrowings	1,000,000	1,000,000
Non-current borrowings		
Loans from TCV	20,000,000	21,000,000
Total non-current borrowings	20,000,000	21,000,000
Total borrowings	21,000,000	22,000,000

'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 net result', 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
2019							
Loans from TCV	21,000,000	21,000,000	-	500,000	500,000	4,000,000	16,000,000
Total	21,000,000	21,000,000	-	500,000	500,000	4,000,000	16,000,000
2018							
Loans from TCV	22,000,000	22,000,000	-	500,000	500,000	4,000,000	17,000,000
Total	22,000,000	22,000,000	-	500,000	500,000	4,000,000	17,000,000

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6.1 BORROWINGS (CONTINUED)

Interest expense	(\$ dollars)	
	2019	2018
Interest on government loans	898,921	924,258
Accommodation Levy	230,358	253,713
Total interest expense	1,129,279	1,177,971

'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, accommodation levy 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 months 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 are included as current borrowings on the balance sheet, as indicated in the reconciliation below.

	(\$ dollars)	
	2019	2018
Total cash and deposits disclosed in the balance sheet	9,948,299	8,013,416
Balance as per cash flow statement	9,948,299	8,013,416

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

	(\$ dollars)	
	2019	2018
Net result for the period	(8,507,287)	(8,161,954)
Non-cash movements		
(Gain)/loss on sale or disposal of non-current assets	5,570	4,594
Depreciation and amortisation of non-current assets	12,565,309	12,644,144
Movements in assets and liabilities		
(Increase)/decrease in receivables	125,243	534,339
(Increase)/decrease in prepayments	(176,197)	220,010
(Decrease)/increase in provisions	114,498	(68,472)
(Decrease)/increase in payables	1,022,848	(1,586,456)
Net cash flows from operating activities	5,149,984	3,586,205

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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</i>	<i>Less than</i>	<i>1-5</i>	<i>5+</i>	
<i>2019</i>	<i>1 year</i>	<i>years</i>	<i>years</i>	<i>Total</i>
Capital expenditure commitments payable	9,894,500	-	-	9,894,500
Operational expenditure commitments payable	9,784,701	12,036,659	-	21,821,360
Total commitments (inclusive of GST)	19,679,201	12,036,659	-	31,715,860
Less GST recoverable	(1,789,018)	(1,094,242)	-	(2,883,260)
Total commitments (exclusive of GST)	17,890,183	10,942,417	-	28,832,600

<i>Nominal amounts</i>	<i>Less than</i>	<i>1-5</i>	<i>5+</i>	
<i>2018</i>	<i>1 year</i>	<i>years</i>	<i>years</i>	<i>Total</i>
Capital expenditure commitments payable	408,068	-	-	408,068
Operational expenditure commitments payable	7,890,005	20,322,214	-	28,212,219
Total commitments (inclusive of GST)	8,298,073	20,322,214	-	28,620,287
Less GST recoverable	(754,370)	(1,847,474)	-	(2,601,844)
Total commitments (exclusive of GST)	7,543,703	18,474,740	-	26,018,443

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Introduction

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 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 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*.

From 1 July 2018, the MMA applies AASB 9 and classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

Categories of financial assets previously under AASB 139

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). MMA recognises the following assets in this category:

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

Categories of financial liabilities under AASB 9 and previously under AASB 139

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. MMA recognises the following liabilities in this category:

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

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7.1.1 FINANCIAL INSTRUMENTS: CATEGORISATION

	(\$ dollars)			
2019	Cash and deposits	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
Contractual financial assets				
Cash and deposits	9,948,299	-	-	9,948,299
Receivables (a)				
Accrued investment income	-	155,682	-	155,682
Rental income	-	1,152,413	-	1,152,413
Investments and other contractual financial assets				
Term deposits	25,000,000	-	-	25,000,000
Total contractual financial assets	34,948,299	1,308,095	-	36,256,394
Contractual financial liabilities				
Payables (a)				
Supplies and services	-	-	2,864,184	2,864,184
Tenant bonds and retention monies	-	-	270,404	270,404
Other payables	-	-	184,911	184,911
Borrowings				
Loans from TCV	-	-	21,000,000	21,000,000
Total contractual financial liabilities	-	-	24,319,499	24,319,499
2018	Cash and deposits	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
Contractual financial assets				
Cash and deposits	8,013,416	-	-	8,013,416
Receivables (a)				
Accrued investment income	-	85,056	-	85,056
Rental income	-	1,302,115	-	1,302,115
Investments and other contractual financial assets				
Term deposits	25,000,000	-	-	25,000,000
Total contractual financial assets	33,013,416	1,387,171	-	34,400,587
Contractual financial liabilities				
Payables (a)				
Supplies and services	-	-	2,810,412	2,810,412
Tenant bonds and retention monies	-	-	367,003	367,003
Other payables	-	-	189,037	189,037
Borrowings				
Loans from TCV	-	-	22,000,000	22,000,000
Total contractual financial liabilities	-	-	25,366,452	25,366,452

Note:

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

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

(\$ dollars)

2019	Net holding gain/(loss)	Total interest income/(expense)	Fee income / (expense)	Impairment loss	Total
Contractual financial assets					
Financial assets - loans and receivables	-	590,109	-	66,592	656,701
Total contractual financial assets	-	590,109	-	66,592	656,701
Contractual financial liabilities					
Financial liabilities at amortised cost	-	(898,921)	-	-	(898,921)
Total contractual financial liabilities	-	(898,921)	-	-	(898,921)

2018	Net holding gain / (loss)	Total interest income / (expense)	Fee income / (expense)	Impairment loss	Total
Contractual financial assets					
Financial assets - loans and receivables	-	550,820	-	(425,298)	125,522
Total contractual financial assets	-	550,820	-	(425,298)	125,522
Contractual financial liabilities					
Financial liabilities at amortised cost	-	(924,258)	-	-	(924,258)
Total contractual financial liabilities	-	(924,258)	-	-	(924,258)

[Note: Amounts disclosed in this table exclude holding gains and losses related to statutory financial assets and liabilities.] The net holding gains or losses disclosed above are determined as follows:

- for cash and cash equivalents, loans or receivables, 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.

7.1.3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

As a whole, 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 MMA's financial risks within the government policy parameters.

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

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 MMA.

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7.1.3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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. MMA's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to MMA. Credit risk is measured at fair value and is monitored on a regular basis.

There has been no material change to MMA's credit risk profile in 2018-19.

Credit quality of financial assets ^(a)

(\$ dollars)

2019	Financial institutions (AA- credit rating)	Government Agencies (Triple-A credit rating)	Government agencies (triple-B credit rating)	Other (minimum triple-B credit rating)	Total
Financial assets					
Financial assets with loss allowance measured at 12-month expected credit loss					
Cash and deposits (not assessed for impairment due to materiality)	5,142,422	4,800,000	-	5,877	9,948,299
Statutory receivables		155,682	-	-	155,682
Investments & other contractual financial assets					
- Term deposits		25,000,000	-	1,152,413	26,152,413
Total financial assets	5,142,422	29,955,682	-	1,158,290	36,256,394

Credit quality of contractual financial assets that are neither past due nor impaired ^(a)

2018	Financial institutions (AA- credit rating)	Government Agencies (Triple-A credit rating)	Government agencies (triple-B credit rating)	Other (minimum triple-B credit rating)	Total
Financial assets					
Cash and deposits	3,207,539	4,800,000	-	5,877	8,013,416
Receivables (a)					
- Accrued investment income	-	85,056	-	-	85,056
- Rental income	-	-	-	1,302,115	1,302,115
Investments & other contractual financial assets					
- Term deposits	-	25,000,000	-	-	25,000,000
Total financial assets	3,207,539	29,885,056	-	1,307,992	34,400,587

Note:

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

Impairment of financial assets under AASB 9 - applicable from 1 July 2018

From 1 July 2018, the MMA has been recording the allowance for expected credit loss for the relevant financial instruments, replacing AASB 139's incurred loss approach with AASB 9's Expected Credit Loss approach. Subject to AASB 9 impairment assessment include the MMA's contractual receivables and statutory receivables.

Equity instruments are not subject to impairment under AASB 9. Other financial assets mandatorily measure or designated at fair value through net result are not subject to impairment assessment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

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7.1.3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Contractual receivables at amortised costs

MMA applies AASB 9 simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates.

MMA has grouped contractual receivables on shared credit risk characteristics and days past due and select the expected credit loss rate based on MMA past history, existing market conditions, as well as forward-looking estimates at the end of the financial year.

On the basis, MMA determines the opening loss allowance on the initial application date of AASB 9 and the closing loss allowance at the end of the financial year as follows:

1-Jul-18	Current	Less than 1 month	1-3 months	3 months - 1 years	1-5 years	Total
Expected loss rate	0%	0%	0%	100%	0%	
Gross carrying amount of contractual receivables	706,815	171,234	78,285	345,781	-	1,302,115
Loss allowance	-	-	-	345,781	-	345,781

30-Jun-19	Current	Less than 1 month	1-3 months	3 months - 1 years	1-5 years	Total
Expected loss rate	0%	2%	3%	77%	0%	
Gross carrying amount of contractual receivables	675,926	180,011	135,031	161,445	-	1,152,413
Loss allowance	-	3,600	4,051	123,943	-	131,594

Reconciliation of the movements in the loss allowance for contractual receivables is shown as follows:

	2019	2018
Balance at beginning of the year	(345,781)	(85,455)
Opening retaining earnings adjustment on adoption of AASB 9	-	-
Opening Loss Allowance	(345,781)	(85,455)
Transfers in/acquired outputs	-	-
Transfers out/disposed outputs	-	-
Modification of contractual cash flows on financial assets	-	-
Increase in provision recognised in the net result	(131,594)	(345,781)
Reversal of provision of receivables written off during the year as uncollectable	113,816	85,455
Reversal of unused provision recognised in the net result	231,965	-
Balance as end of year	(131,594)	(345,781)

Credit loss allowance is classified as other economic flows in the net result. Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

In prior years, 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. A provision is made for the estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. Bad debts considered as written off by mutual consent.

Statutory receivables and debt investment at amortised costs

The MMA's non-contractual receivables arising from statutory requirements are not financial instruments. However, they are nevertheless recognised and measured in accordance with AASB 9 requirements as if those receivables are financial instruments.

Both the statutory receivables and investments in debt instruments are considered to have low credit risk, taking into account the counterparty's credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As a result, the loss allowance recognised for these financial assets during the period was limited to 12 months expected losses. No loss allowance recognised at 30 June 2018 under AASB 139.

Financial instruments: Liquidity risk

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

MMA is exposed to liquidity risk mainly through the financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees. MMA manages its liquidity risk by:

- close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements;
- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations;
- careful maturing planning of its financial obligations based on forecasts or future cash flows; and
- a high credit rating for the State of Victoria (Moody's Investor Services and Standard & Poor's triple-A, which assists in accessing debt market at a lower interest rate).

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

Financial Instruments: Market risk

The MMA's exposure to market risk, is primarily through interest rate risk. Objectives, policies and processes used to manage each of these risks are disclosed below.

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. 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. MMA has minimal exposure to cash flow interest rate risks through cash and deposits, term deposits and bank overdrafts that are at floating rate.

MMA manages this risk by mainly undertaking fixed rate or non-interest bearing financial instruments with relatively even 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 MMA's sensitivity to interest rate risk are set out in the table that follows.

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7.1.3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

Interest rate exposure of financial instruments

(\$ dollars)

2019	Weighted average interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing
Financial Assets					
Cash and deposits	1.43%	9,948,299	4,800,000	5,142,422	5,877
Receivables (a)					
- Accrued investment income		155,682	-	-	155,682
- Rental income		1,152,413	-	-	1,152,413
Investments & other contractual financial assets					
- Term deposits	2.04%	25,000,000	25,000,000	-	-
Total financial assets		36,256,394	29,800,000	5,142,422	1,313,972
Financial Liabilities					
Payables (a)					
- Borrowings	4.17%	21,000,000	21,000,000	-	-
- Supplies and services		2,864,184	-	-	2,864,184
- Tenant bonds and retention monies		270,404	-	-	270,404
- Other payables		184,911	-	-	184,911
Total financial liabilities		24,319,499	21,000,000	-	3,319,499

(\$ dollars)

2018	Weighted average interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing
Financial Assets					
Cash and deposits	1.45%	8,013,416	4,800,000	3,207,539	5,877
Receivables (a)					
- Accrued investment income		85,056	-	-	85,056
- Rental income		1,302,115	-	-	1,302,115
Investments & other contractual financial assets					
- Term deposits	1.90%	25,000,000	25,000,000	-	-
Total financial assets		34,400,587	29,800,000	3,207,539	1,393,048
Financial Liabilities					
Payables (a)					
- Borrowings	4.13%	22,000,000	22,000,000	-	-
- Supplies and services		2,810,412	-	-	2,810,412
- Tenant bonds and retention monies		367,003	-	-	367,003
- Other payables		189,037	-	-	189,037
Total financial liabilities		25,366,452	22,000,000	-	3,366,452

Note:

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

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7.1.3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk sensitivity		(\$ dollars)	
		-100 basis points	+100 basis points
2019	Carrying amount	Net result	Net result
Contractual financial assets			
Cash and deposits	5,142,422	(51,424)	51,424
Total impact		(51,424)	51,424
2018			
Contractual financial assets			
Cash and deposits	3,207,539	(32,075)	32,075
Total impact		(32,075)	32,075

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.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more events not wholly within the control of MMA. These are classified as either quantifiable, where potential economic benefit is known, or non-quantifiable.

MMA has not received its land tax notices(s) of assessment ("assessments notice") since occupying the Epping site dating back to 2015 and has been accruing the non-recoverable proportion of land tax which MMA will be liable for using management's best estimates.

Based on recent correspondence had with the SRO, MMA understands that the assessment notices will be issued imminently, upon which MMA will undertake to address the associated issues related to the land tax matter. The information usually required by AASB 137 Provisions, Contingent Liabilities and Contingent Assets associated is not disclosed on the grounds that it can be expected to prejudice seriously the manner and outcome associated with how MMA address this matter, with the SRO and its tenants.

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.

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7.3 FAIR VALUE DETERMINATION (CONTINUED)

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:

- 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 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.

7.3.1 FAIR VALUE DETERMINATION: NON-FINANCIAL PHYSICAL ASSETS

Fair Value measurement hierarchy

(\$ dollars)

2019	Carrying amount as at 30 June 2019	Fair value measurement at end of reporting period using		
		Level 1(a)	Level 2(a)	Level 3(a)
Land at fair value				
Specialised land	71,500,000	-	-	71,500,000
Total of land at fair value	71,500,000	-	-	71,500,000
Buildings at fair value				
Specialised buildings	410,794,874	-	-	410,794,874
Total of buildings at fair value	410,794,874	-	-	410,794,874
Plant, equipment and vehicles at fair value				
Vehicles (b)	190,933	-	-	190,933
Plant and equipment	485,298	-	-	485,298
Total of plant, equipment and vehicles at fair value	676,231	-	-	676,231

2018	Carrying amount as at 30 June 2018	Fair value measurement at end of reporting period using		
		Level 1(a)	Level 2(a)	Level 3(a)
Land at fair value				
Specialised land	71,500,000	-	-	71,500,000
Total of land at fair value	71,500,000	-	-	71,500,000
Buildings at fair value				
Specialised buildings	383,296,518	-	-	383,296,518
Total of buildings at fair value	383,296,518	-	-	383,296,518
Plant, equipment and vehicles at fair value				
Vehicles (b)	121,086	-	-	121,086
Plant and equipment	449,386	-	-	449,386
Total of plant, equipment and vehicles at fair value	570,472	-	-	570,472

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

(c) There have been no transfers between levels in the period

7.3.1 FAIR VALUE DETERMINATION: NON-FINANCIAL PHYSICAL ASSETS (CONTINUED)

The fair value of land and buildings is determined on the basis of a periodic independent valuation by external valuation experts. The fair values are recognised in the financial statements and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their fair values, after taking into consideration Valuer-General Victoria (VGV) indices and other relevant indicators.

Specialised land: An independent valuation of MMA's land was performed by the Valuer-General Victoria at 30 June 2016 which conform to Australian Valuation Standards for the Epping site.

Specialised land is valued using the market based direct approach whereby the property is compared to recent sales making adjustments for points of difference to establish the Fair Value.

(2018) A fair value assessment was conducted using the impact of the Valuer-General Victoria (VGV) englobo land indices for the year ended 30 June 2018 that showed a 17% increase for the 2017/18 period. As the change since the last management valuation was material, a management revaluation was made to increase the value of Epping land from \$61.1 million to \$71.5 million.

(2019) A fair value assessment was conducted using the Valuer-General Victoria (VGV) land indices for the year ended 30 June 2019. Changes were immaterial and therefore no revaluation was made.

Buildings and improvements: An independent valuation of MMA's buildings was performed by the Valuer-General Victoria at 30 June 2016 which conform to Australian Valuation Standards 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 are classified as Level 3 fair value measurements. The fair value ascribed by VGV for the carrying amount of buildings and improvements, as represented by the depreciated replacement cost, at 30 June 2016 is \$405.3 million. Additions to buildings and improvements since 1 July 2016 are recorded at cost, which represents fair value.

A fair value assessment was undertaken using the impact of the Valuer-General Victoria indices for the year ended 30 June 2018. It was determined that the movement in fair values was less than 10% and as such a managerial revaluation was not required. A fair value assessment was undertaken using the impact of the Valuer-General Victoria indices for the year ended 30 June 2019. It was determined the cumulative movement in fair value was 10.33% and as such managerial revaluation was performed.

Vehicles are valued using the depreciated replacement cost method. 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 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 2019.

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

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7.3.1 FAIR VALUE DETERMINATION: NON-FINANCIAL PHYSICAL ASSETS (CONTINUED)

Reconciliation of Level 3 fair value movements (\$ dollars)

2019	Specialised Land	Specialised Buildings	Vehicles	Plant and equipment
Opening Balance	71,500,000	383,296,518	121,086	449,386
Purchases (sales)	-	1,263,010	191,574	265,311
Disposals	-	-	(89,697)	(85)
Depreciation	-	(12,226,641)	(32,030)	(229,314)
Subtotal	-	(10,963,631)	69,847	359,128
Revaluations	-	38,461,987	-	-
Subtotal	-	38,461,987	-	-
Closing balance	71,500,000	410,794,874	190,933	485,298

2018	Specialised Land	Specialised Buildings	Vehicles	Plant and equipment
Opening Balance	61,111,111	393,804,038	113,725	596,600
Purchases (sales)	-	1,801,079	88,423	62,896
Disposals	-	(27,150)	(45,368)	(615)
Depreciation	-	(12,281,450)	(35,694)	(209,495)
Subtotal	-	(10,507,521)	7,361	(147,214)
Revaluations	10,388,889	-	-	-
Subtotal	10,388,889	-	-	-
Closing balance	71,500,000	383,296,518	121,086	449,386

Description of significant unobservable inputs to Level 3 valuations

2019 and 2018	Valuation Technique	Significant unobservable inputs
Buildings - Epping	Cost approach 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 2018.

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 Reserves

8.2 Change in Accounting policies

8.3 Responsible persons

8.4 Remuneration of executives

8.5 Related parties

8.6 Remuneration of auditors

8.7 Subsequent events

8.8 Other accounting policies

8.9 Australian Accounting Standards issued that are not yet effective

8.10 Glossary of technical terms

8.11 Style conventions

8.1 RESERVES

	(\$ dollars)	
	2019	2018
Physical asset revaluation surplus (a)		
Balance at beginning of financial year	97,867,734	201,416,645
Revaluation increments	38,461,987	10,388,889
Disposal or transferred out (b)	-	(113,937,800)
Balance at end of financial year	136,329,721	97,867,734

Note:

(a) The physical assets revaluation surplus arises on the revaluation of land and buildings. Refer to Note 4.1.3.

(b) Revaluations relating to West Melbourne site were transferred to accumulated surplus.

8.2 CHANGE IN ACCOUNTING POLICIES

The MMA has elected to apply the limited exemption in AASB 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As a result:

- (a) any adjustment to carrying amounts of financial assets of liabilities are recognised at the beginning of the current reporting period with difference recognised in opening retained earnings; and
- (b) financial assets and provision for impairment have not been reclassified and/or restated in the comparative period.

This note explains the impact of the adoption of AASB 9 Financial Instruments on the MMA's financial statements.

8.2.1 CHANGES TO CLASSIFICATION AND MEASUREMENT

On initial application of AASB 9 on 1 July 2018, MMA's management has assessed for all financial assets based on the MMA's business models for managing assets. The following are the changes in the classification of the MMA's financial assets:

- (a) Term deposits and debt securities previously classified as held to maturity under AASB 139 are now reclassified as financial assets at amortised costs under AASB 9. There was no difference between the previous carrying amount and the revised carrying amount at 1 July 2018 to be recognised in opening retained earnings.
- (b) Contractual receivables previously classified as other loans and receivables under AASB 139 are now reclassified as financial assets at amortised cost under AASB 9.

The accounting for financial liabilities remains largely the same as it was under AASB 139, except for the treatment of gains and losses arising from the MMA's own credit risk relating to liabilities designated at fair value through net result. Such movements are presented in other comprehensive income with no subsequent recycle through profit or loss.

MELBOURNE MARKET AUTHORITY

8.2.1 CHANGES TO CLASSIFICATION AND MEASUREMENT (CONTINUED)

The MMA's accounting policies for financial assets and liabilities are set out in note 7.1. The following table summaries the required and elected reclassification upon adoption of AASB 9. The main effects resulting from the reclassification are as follows:

			AASB 9 Measurement Categories			
			Fair value through net result (designated)	Fair value through net result (mandatory)	Amortised Cost	Fair value through other comprehensive income
As at 30 June 2018	Notes	AASB 139				
AASB 139 Measurement of Categories						
Loan and receivables						
Sale of goods and services	8.2.1(b)	1,302,115	-	-	1,302,115	-
Accrued investment income	8.2.1(b)	85,056	-	-	85,056	-
Other receivables	8.2.1(b)	-	-	-	-	-
Held to maturities						
Term deposits	8.2.1(a)	25,000,000	-	-	25,000,000	-
As at 1 July 2018		26,387,171	-	-	26,387,171	

8.2.2 CHANGES TO THE IMPAIRMENT OF FINANCIAL ASSETS

Under AASB 9, all loans and receivables as well as other debt instruments not carried at fair value through net result are subject to AASB 9's new expected credit loss (ECL) impairment model, which replaces AASB 139's incurred loss approach.

For other loans and receivables, the MMA applies the AASB 9 simplified approach to measure expected credit losses based on the change in the ECLs over the life of the asset. Application of the lifetime ECL allowance method results in no impairment loss recorded.

For debt instruments at amortised costs, the MMA considers them to be low risk and therefore determines the loss allowance based on the ECLs associated with the probability of default in the next 12 months. Applying the ECL model does not result in recognition of additional loss allowance (previous loss allowance was nil). No further increase in allowance in the current financial year.

8.2.3 TRANSITION IMPACT

There was no transition impact noted under AASB 139 at 30 June 2018 and the balances reported under AASB 9 at 1 July 2018.

8.3 RESPONSIBLE PERSONS

In accordance with the Ministerial Directions issued by the Assistant Treasurer 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-2017 to 24-Nov-2018
Minister for Agriculture	Ms. Jaclyn Symes	13-Dec-2018 to 30-Jun-2019
Board Chairperson	Mr P Touhey	01-Jul-2018 to 30-Jun-2019
Board Member	Ms G Marven	01-Jul-2018 to 30-Jun-2019
Board Member	Ms S Friend	01-Jul-2018 to 30-Jun-2019
Board Member	Ms J Carboon	01-Jul-2018 to 30-Jun-2019
Board Member	Mr D Beatty	01-Jul-2018 to 30-Jun-2019
Chief Executive Officer	Mr M Maskiell	01-Jul-2018 to 30-Jun-2019

Remuneration of responsible persons

Remuneration received or receivable by the Accountable Officer in conjunction with the management of the MMA during the reporting period was in the range: \$360,000 - \$369,000 (\$360,000 - \$369,000 in 2017-18).

8.4 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 (as defined in AASB 119 *Employee Benefits*) in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered. Accordingly, remuneration is determined on an accrual basis and is disclosed in the following categories.

Short-term employee benefits include amounts such a 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 (including executives defined as Key Management Personnel (KMP) disclosed in Note 8.3)</i>	<i>Total Remuneration 2019</i>	<i>Total Remuneration 2018</i>
Short-term employee benefits	775,722	787,179
Post employment benefits	71,350	72,578
Other long-term benefits	-	-
Total remuneration (a)	847,072	859,757
Total number of executives	5	5
Total annualised employee equivalents (b)	3.82	4.01

Notes:

(a) 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 8.5).

(b) Annualised employee equivalent is based on the time fraction worked over the reporting period.

(2018) There was one executive who resigned effective 25 May 2018, the vacancy was filled on 21 May 2018 and therefore the total number of executives includes one separation. The count of executives throughout the year was 4.

(2019) There was one executive who resigned effective 5 April 2019, the vacancy was filled on 11 June 2019 and therefore the total number of executives includes one separation. The count of executives throughout the year was 4.

MELBOURNE MARKET AUTHORITY

8.5 RELATED PARTIES

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

Related parties of 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
- 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 MMA's financial statements include:

Key Management Personnel	Position Title
Mr Mark Maskiell	Chief Executive Officer
Mr David Whitchelo	Chief Operating Officer
Mr David Power	Business Development and Marketing Manager
Mr Matthew Elliott*	Business Development and Marketing Manager
Ms Kathryn Buhagiar	Chief Financial Officer
Mr Malcolm Lum	General Counsel
Mr Peter Tuohey	Board Chairperson
Ms Gisela Marven	Board Member
Ms Jacinta Carboon	Board Member
Ms Susan Friend	Board Member
Mr David Beatty	Board Member

Note:

Matthew Elliott resigned 5 April 2019.

Remuneration of key management personnel

Compensation of KMP's	2019	2018
Short-term employee benefits(a)	1,236,763	1,241,641
Post-employment benefits	113,682	114,690
Other long-term benefits	12,311	6,947
Total(b)	1,362,756	1,363,278

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 MMA, there were no related party transactions that involved Key Management Personnel, 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.

MELBOURNE MARKET AUTHORITY

8.5 RELATED PARTIES (CONTINUED)

During the year, MMA provided services to the Department of Job, Precincts and Regions (DJPR) under terms and conditions equivalent for those that prevail in arm's length transactions. The transactions involved site repairs, car parking, site access fees and tenancy repair works with an aggregated value of \$16,000 (2018: \$24,000).

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 \$898,921 (2018: \$924,000). TCV paid interest on deposits to MMA with an aggregated value of \$578,049 (2018: \$551,000).

8.6 REMUNERATION OF AUDITORS

	(\$ dollars)	
	2019	2018
Victorian Auditor-General's Office		
Audit of financial statements	58,000	41,000
Total remuneration of auditors	58,000	41,000

8.7 SUBSEQUENT EVENTS

MMA is not aware of any subsequent events.

8.8 OTHER ACCOUNTING POLICIES

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 MMA.

Additions to net assets that 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.

8.9 AUSTRALIAN ACCOUNTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE

The following AASs become effective for reporting periods commencing after 1 July 2019:

- AASB 16 *Leases*;
- AASB 15 *Revenue from Contract with Customers*; and
- AASB 1058 *Income of Not-for-Profit Entities*.

8.9 AUSTRALIAN ACCOUNTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE (CONTINUED)

Leases

AASB 16 *Leases* replaces AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases-Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases on the balance sheet by recording a Right-Of-Use (RoU) asset and a lease liability except for leases that are shorter than 12 months and leases where the underlying asset is of low value (deemed to be below \$10,000).

AASB 16 also requires the lessees to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset, and remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The amount of the remeasurement of the lease liability will generally be recognised as an adjustment to the RoU asset.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases; operating and finance leases.

The effective date is for annual reporting periods beginning on or after 1 January 2019. The MMA intends to adopt AASB 16 in 2019-20 financial year when it becomes effective.

The MMA will apply the standard using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information.

Various practical expedients are available on adoption to account for leases previously classified by a lessee as operating leases under AASB 117. The MMA will elect to use the exemptions for all short-term leases (lease term less than 12 months) and low value leases (deemed to be below \$10,000).

In addition, AASB 2018-8 - Amendments to Australian Accounting Standards - Right-of-Use Assets (RoU) of Not-for-Profit Entities allows a temporary option for not-for-profit entities to not measure RoU assets at initial recognition at fair value in respect of leases that have significantly below-market terms, since guidance is expected to be developed to assist not-for-profit entities in measuring RoU assets at fair value. The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such RoU assets at cost rather than fair value) to include additional disclosures. The MMA intends to choose the temporary relief to value the RoU asset at the present value of the payments required (at cost).

The MMA is currently in the process of performing a detailed impact assessment of AASB 16 and the potential impact in the initial year of application. In any case, MMA tends to acquire all of its assets and has minimal (if none) operating lease commitments.

8.9 AUSTRALIAN ACCOUNTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE (CONTINUED)

Revenue and Income

AASB 15 supersedes AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers.

AASB 15 establishes a five-step model to account for revenue arising from an enforceable contract that imposes a sufficiently specific performance obligations on an entity to transfer goods and services. AASB 15 requires entities to only recognise revenue upon the fulfilment of the performance obligation. Therefore, entities need to allocate the transaction price to each performance obligation in a contract and recognise the revenue only when the related obligation is satisfied.

To address specific concerns from the 'not-for-profit' sector in Australia, the AASB also released the following standards and guidance:

- AASB 2016-8 *Amendments to Australia Accounting Standards - Australian implementation guidance for NFP entities* (AASB 2016-8), to provide guidance on application of revenue recognition principles under AASB 15 in the not-for-profit sector.
- AASB 2018-4 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Public-Sector Licensors* (2018-4), to provide guidance on how to distinguish payments receive in connection with the access to an asset (or other resource) to enable other parties to perform activities as tax and non-IP licence. It also provides guidance on timing of revenue recognition for non-IP licence payments.
- AASB 1058 *Income of Not-for-Profit Entities*, to supplements AASB 15 and provide criteria to be applied by not-for-profit entities in establishing the timing of recognising income for government grants and other types of contributions previously contained within AASB 1004 Contributions.

AASB 15, AASB 1058 and the related guidance will come into effect for not-for-profit entities for annual reporting periods beginning on or after 1 January 2019. The MMA intends to adopt these standards in 2019-20 financial year when it becomes effective.

The MMA will apply the standard using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus as 1 July 2019, with no restatement of comparative information.

The MMA is currently in the process of performing a detailed impact assessment of AASB 15 and AASB 1058 and its potential impact for each major class of revenue and income in the initial year of application.

8.10 GLOSSARY OF TECHNICAL TERMS

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

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

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

Amortisation 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'.

Borrowings refers to interest bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria, finance leases and other interest bearing arrangements. Borrowing also include non-interest bearing advances for government that are acquired for policy purposes.

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 transactions 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 this:

- (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 an contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

8.10 GLOSSARY OF TECHNICAL TERMS (CONTINUED)

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; and
- (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 AASB 101 *Presentation of Financial Statements*; and
- (g) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 41 of AASB 101.

General government sector 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 repayments, 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.

8.10 GLOSSARY OF TECHNICAL TERMS

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 is 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 depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the Government.

8.11 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 0x	year period

The financial statements and notes are presented based on the illustration for a government department in the 2018-19 Model Report for Victorian Government Departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publication of the MMA's annual reports.

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