



MELBOURNE MARKET AUTHORITY
ANNUAL REPORT
2019-2020





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 2020.

This report covers the period 1 July 2019 to 30 June 2020. 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,

Peter Tuohey

A handwritten signature in black ink, appearing to read 'PTS', written over a horizontal line.

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 2020.



Peter Tuohey
Chairperson
Melbourne Market Authority
2 October 2020

SECTION 1: YEAR IN REVIEW

The Melbourne Market is administered by the Melbourne Market Authority (MMA), established under the *Melbourne Market Authority Act 1977* (Vic) (the Act). 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 2019 to 30 June 2020 was:

The Hon. Jaclyn Symes MP, Minister for Agriculture

Financial performance for the reporting period was impacted by COVID-19. To support tenants during the pandemic, rent relief was provided to lease and licence holders. Flower Market tenants received a three-month rent waiver and other market tenants were provided with a two-month rent waiver. The pandemic also resulted in significant increases in expenses for extra cleaning and security costs related to temperature screening measures. The MMA completed its construction of Warehouse 7 in the reporting period and continues to invest in repairs along with 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.
- 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.

The MMA has worked extensively towards delivering on our commitments, and the targets set out in our Corporate Plan during the past 12 months, which aims to tackle the challenges faced by both the market and the fresh produce and flower industries, while swiftly taking advantage of, and celebrating innovative opportunities.

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.

Over the last 12 months, the MMA Board and Executive Leadership Team have continued to conduct 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. These visits allow the MMA to obtain a greater understanding of the issues facing the industry to better inform our Corporate Plan.

Over the past 12 months, the MMA has made significant inroads in projects that cement the market's future in Melbourne's north. The proposed Epping Food Hub on the adjacent 51-hectare site next door could play a significant role in the development of jobs, investment and growth in the region. The proposed Epping Hub will expand the Melbourne Market precinct into a food, logistics, export and innovation hub of international significance, bringing opportunities to Market tenants. Over the past year, the MMA has undertaken several stakeholder engagement activities in conjunction with the State Government and the whole-of-site master plan of this significant project is well underway.

Since trading commenced at Epping in 2015, there has been escalating demand for more warehousing on the site. This year the construction of an additional warehouse on pad 7 was completed, which accommodates 28 small format tenancies. With many market businesses continuing to grow their operations, the demand for warehouse space at the market remains high. As a result, the MMA began initial planning for warehouses on pad 10 and pad 11 in another significant construction project for the market.

During the reporting period, we welcomed the undertaking and completion of an independent root and branch review, undertaken by KPMG on behalf of Agriculture Victoria, to ensure that the trading environment at the market supported Victoria's horticulture industries to be globally competitive, highly productive and sustainable. KPMG was charged with assessing the operational efficiency and effectiveness of the market, and we were pleased that the review found that the financial performance of the market is comparable to other Australian state-based markets, and that overall, the market was found to operate effectively. ISECO Engineering Services Ltd was also engaged to conduct an independent review of the central cooling plant, and the review found the plant is working efficiently. Opportunities were identified in the report that could drive ongoing performance at the market, and we are enthusiastic about implementing the recommendations from the review in the year ahead.

We are pleased the MMA's Facility Manager, Plenary Asset Management (PAM) will extend its term past 1 March 2021 for a further three years, ensuring continuity of the well-developed relationship PAM has with the MMA and Market users. The extension also guarantees the continuance of well-established service level contracts for the repairs, maintenance and minor capital works programs across the market.

To further progress the MMA's objective to improve safety on the site, a drug and alcohol testing program was introduced in December 2019. Random drug and alcohol testing will continue to occur on an ongoing basis. Standalone breathalyser units were also installed at the security office, ensuring any contractor or visitor who enters the site has a blood alcohol content of 0.00 per cent. Everyone has the right to work in a safe environment, and this testing program has further improved the health and safety of Market tenants and users.

The MMA continues to invest in initiatives that drive sales to businesses that buy from the market. The MMA has continued to lead the Central Markets Association of Australia's (CMAA) involvement, along with Fresh Markets Australia, in the delivery of 'A Better Choice', a national consumer marketing program to influence consumer behaviour to shop at the local greengrocer. Victorian greengrocers have embraced the program with 175 independent retailers joining as members. This year has seen the 'A Better Choice' consumer marketing campaigns increase in size and scale with online, social and mainstream media, including radio and TV advertising, throughout the year.

The MMA, in conjunction with Flowers Victoria, has continued to deliver and invest in fresh flower based marketing, encouraging consumers to buy from their local florist with targeted campaigns around key flower purchase periods, like Mother's Day and Valentine's Day.

Both the 'A Better Choice' program and fresh flower marketing campaigns, maximise economies of scale for the small to medium businesses that buy from the Melbourne Market, allowing them to have a greater share of advertising voice to compete with the major supermarkets. And when greengrocers, florists and independent supermarkets do well, the results benefit the entire Market community.

Over the reporting period, the MMA invested in the implementation of the first phase of our digital transformation strategy. The MMA

implemented a single integrated customer relationship management (CRM) system, which has resulted in both efficiencies internally and also for Market tenants and users. Our market relations officers now have hand-held devices which provide real-time access to the CRM system, improving their capacity for customer service and operational activity out on the floor. Also, as part of the first phase of the rollout strategy, a significant piece of work was undertaken to develop a self-serve portal, giving customers better control and visibility of their interactions with the MMA. The portal is due to be completed and rolled out to customers in the latter part of 2020.

Whilst it has been a year with many achievements, there have also been significant challenges.

2020 began with some of the worst bushfires Australia has experienced. With the Melbourne Market being an integral part of the fresh produce and flower industry, our thoughts were especially with those from farming communities who lost crops and infrastructure. The Market community came together during this devastating time and raised \$38,000 to contribute towards the Victorian Bushfire Appeal.

The COVID-19 pandemic has been unprecedented and has changed the way we work and interact with each other at the Melbourne Market. The MMA's response to the pandemic was swift and thorough with preventative measures such as compulsory temperature screening and increased cleaning schedules implemented at the onset, all while keeping the market community well-informed, with timely and regular communications.

The Melbourne Market is essential in the supply chain of food, and along with the health and safety of Market users, our priority was to remain open to continue to deliver fresh produce to Victorians.

The success of the Melbourne Market's response was due to our whole community working together for the health and safety of the entire market. We want to thank every single person for their contribution, and for doing the right thing, as we work in this new and challenging environment.

The effects of the pandemic have been detrimental to many businesses. The MMA was pleased to be able to offer blanket rent relief to all flower and fruit & vegetable market tenants in the form of permanent rent and licence fee waivers to the value of \$2.8 million. We have also been pleased to be in a position to be able to provide rent relief to those businesses who have been hardest hit and on a case by case basis we are providing support where it is needed most. The COVID-19 situation continues to evolve; however, we are confident we have the processes and resources in place, and support from the whole market community, to deal with what comes next.

We would like to thank the representing body for fruit and vegetable wholesalers, Fresh State, in continuing to develop our important working relationship. Through consultation and working collaboratively, it has benefited the industry and the market community.

Special mention is made to the Agriculture Victoria, and in particular the Minister for Agriculture, The Hon. Jaclyn Symes MP, for her continued support of the Melbourne Market.

We would like to thank our continuing Board members for their support and congratulate Board members; Jacinta Carboon and David Beatty, on their re-appointment for an additional three-year term on the MMA Board. We also thank outgoing board member Gisela Marven for her contribution and service to the market and organisation.

Lastly, we would like to thank the MMA Executive Leadership Team and all MMA staff 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 2019-20 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.




Mark Maskiell
Chief Executive Officer
Melbourne Market Authority




Peter Tuohey
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 Act.

- 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 2019-2020 Corporate Plan are illustrated in Table 1 below:

Table 1 – Agency objectives, indicators and linked outputs

| Objectives | Indicators | Outputs |
|---|--|---|
| 1. Continuously improve the operating environment | <ul style="list-style-type: none"> measured by the annual survey and engagement with the Advisory Committees. MMA operating costs escalate by less than 2.5% annually. Reduction in reportable incidents. Generate new revenue streams relative to previous year. | <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 effective QMS System Increase efficiency of MMA's interactions with clients Effective operating model |
| 2. Maximise the utility of the trading floors | <ul style="list-style-type: none"> Increased utilisation of market facilities and services. Occupancy. Visitation. Market user satisfaction measured by the annual survey. | <ul style="list-style-type: none"> Monitor trading hours policy to ensure optimisation of market participants Trading Stand product diversification Continue to introduce initiatives to attract more florists and flower buyers to the flower market Increase the profile and relevance of the market floors as a vital part of the horticultural supply chain Implement initiatives to support greengrocer resilience |
| 3. Drive logistical efficiency | <ul style="list-style-type: none"> Strategy developed incorporating identification and prioritization of additional facilities and services that enhance logistical efficiency by 30 June 2020. Business case development for two initiatives by June 2021. Delivery of one additional facility or service by 30 June 2021. | <ul style="list-style-type: none"> Generate actionable insights in enhance on-site logistics efficiency and position the market as a logistics hub Implement projects that improve on-site logistical efficiency and utility |
| 4. Precinct master planning | <ul style="list-style-type: none"> Identification of best uses for vacant sites within the market and land allocation by 30 June 2020. Future development area commitment to master planning by June 2020 and commitment to implementation by the State Government by June 2022. | <ul style="list-style-type: none"> Increase customer insights to inform the implementation of new products and services that add value to Market users Identify the best uses for vacant land within the market sites and pursue the private sector to take up these opportunities Future development area master planning and implementation with DJPR (Department of Jobs, Precincts and Regions) |
| 5. Support export growth | <ul style="list-style-type: none"> Identification of additional facilities and services that support export growth. Prioritisation, business case development and delivery of the additional facilities and services. | <ul style="list-style-type: none"> Leverage opportunities for export facilitation and growth |
| 6. Embrace digital change | <ul style="list-style-type: none"> Horizon 1 and key elements of Horizon 2 of the digital strategy implemented, facilitated by the enabling CRM infrastructure delivered in 2019/20. Horizon 3 delivered by 2022/23. | <ul style="list-style-type: none"> Seek out opportunities to adopt digital technology to improve efficiency Support our customers to respond to the opportunities and challenges posed by digital disruption Increase MMA's Digital Capabilities and Governance of IT Seek out opportunities to collect and disseminate data on volume, product flows and pricing |

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. The perception of market customers 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 in adapting to these highly dynamic industry forces and strives to maintain the market as an affordable place of business.

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. During the reporting period, an additional 12 pine pallet pick up locations were added to the site for free deposit and reuse of pine pallets, resulting in a 12 per cent reduction in wood products to landfill. The partnership with the Yarra Valley Waste to Energy facility further enhanced the reduction in landfill deposits, with 1,016,780 kilograms of organic waste delivered to the facility for the year. A further 218,750 kilograms of organic produce was distributed to Food Bank Victoria as part of the market's food recovery program. The promotion and education of waste management practices has continued. These activities, combined with the financially incentivized waste disposal system, continued to drive a reduction in landfill deposits and increased use of recycling systems. With existing initiatives in place, the market exceeded its target and achieved a recycling rate of 97.9 per cent, the highest recycling rate of any wholesale market in the world.

The completed construction of Warehouse 7 generates new leasing revenue streams for the market and also includes a 4,200 m2 rooftop with 1110 solar panels providing 460.65 kW of energy creating capacity. The energy benefits of these solar panels will be realised in the next reporting period and will assist in keeping electricity costs down for market tenants.

The Melbourne Market is a busy and vibrant industrial site, with vehicles and pedestrians working in close proximity, which has the potential to cause incidents and injury. To further progress the MMA's objective to enhance the safety of the site, additional traffic management improvements were introduced. A significant project was undertaken in the breezeway between the flower market and trading floor to re-configure the layout, install safety barriers, and change line markings, to separate pedestrians and vehicles. These initiatives to improve traffic management, aim to decrease incidents and near misses in the market. During the reporting period, there was a 2 per cent decrease in forklift and vehicle incidents.

To reduce the risk of incidents caused by a person attending the site under the influence of prohibited drugs or alcohol, a drug and alcohol testing program was introduced in December 2019. Before the testing program commenced, an education and communication program was rolled out to the market community. The program raised awareness of the operating rules and OHS policies, which stipulates that no person can be on Market Land under the influence of prohibited drugs or alcohol. During the reporting period, 235 random drug and alcohol tests were conducted, and the program will continue on an ongoing basis at the market. Standalone breathalyser units were installed on the Buyers' Walk, as an initiative to enable business principals to test their staff. Standalone breathalyser units were also installed at the security office, facilitating the introduction of a new process where all market visitors must undergo mandatory breath testing, and record blood alcohol content of 0.00 per cent before being allowed on to the site.

In the fourth quarter of each year, the MMA undertakes its annual customer satisfaction survey. During the 2019-20 survey, individual market elements, such as user experience, service and facilities were rated. The highest three rated attributes were, cleanliness, property maintenance, and the ease of process to gain access cards, all demonstrate a high level of efficiency and functionality for market users.

The COVID-19 pandemic has been unprecedented and has changed operations at the Melbourne Market. The MMA's response to the pandemic was swift and thorough with preventative measures such as compulsory temperature screening, additional hand sanitiser units installed and increased cleaning schedules to high-risk areas, implemented at the onset. Other preventive measures introduced included, only allowing one person per electric vehicle, suspending cash payments at the Customer Service Centre and installing visual guides on the floors to assist market users in maintaining social distancing. Access to the market has been limited to only those carrying out essential core operations to reduce the number and density of people on-site.

During the pandemic, there has been a high level of compliance to practicing good hygiene, the use of face-coverings and social distancing rules implemented to prevent the spread of the virus and maintain operations of the Market.

The effects of the pandemic have been detrimental to many businesses. The MMA offered blanket rent relief to all flower and fruit & vegetable market tenants in the form of permanent rent income waivers to the value of \$2.8 million and provided additional rent relief to businesses which qualify under COVID-19 Omnibus laws and regulations.

COVID-19 has seen market operating costs incurred by the MMA increase over the period, due to the expanded scope of cleaning works to provide deep cleaning to high-risk areas, along with increased security costs related to temperature screening measures. Total expenses from transactions increased by 5.60 per cent.

The MMA Board and Executive Leadership Team undertook two 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 projects.

Progress towards objective 1

| Indicator | 2018-19 | 2019-20 | 2020-21 |
|--|---------|---------|---------|
| • Efficiency and functionality for customers | ✓ | ✓ | |
| • MMA operating costs escalate by less than 2.5% annually. | ✓ | ✗ | |
| • Reduction in incidents | ✓ | ✓ | |
| • Generate new revenue streams relative to previous year | ✓ | ✓ | |

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.

Figures 1 and 2 below show that the COVID-19 pandemic has reduced buyer visitation for both the Flower and the Fruit and Vegetable Markets. The Flower Market has seen visitation decrease from March 2020 onwards, with many businesses who buy from the flower market, such as event and wedding florists, unable to operate.

Visitation to the Fruit and Vegetable Market showed a different trend. March 2020 saw a small increase in fruit and vegetable market buyer entries, potentially due to increased demand from customers hoarding of food and groceries in the early stages of the pandemic. However, in April, May and June, the reduction in hospitality sales saw visitation decrease by 15.7 per cent.

Flower buyer entries

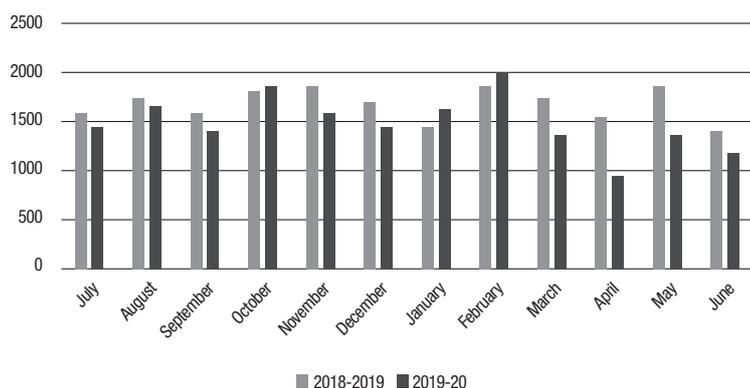


Figure 1: Total flower buyer entries per month for financial years 2019-20 and 2018-19

Fruit and vegetable buyer entries

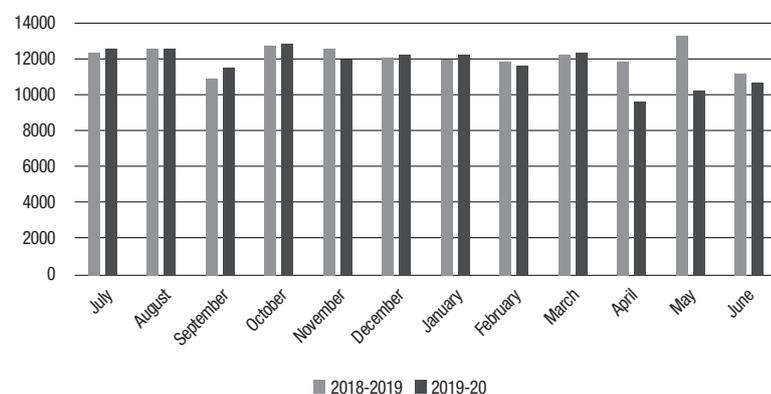


Figure 2: Total fruit and vegetable buyer entries per month for financial years 2019-20 and 2018-19

Demand remains constant for fruit and vegetable tenancies at the Melbourne Market, as shown in Figure 3 below, with overall occupancy at 95 per cent. The MMA purposely leaves several trading stands vacant, to allow for growers to license casual stands to account for produce seasonality, therefore 100 per cent occupancy is not attainable nor is it expected.

Total fruit and vegetable occupancy

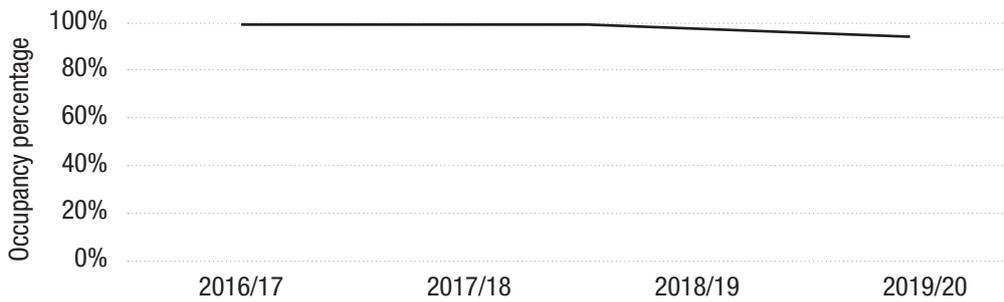


Figure 3: Total occupancy

The MMA continues to invest in initiatives that drive sales to businesses that buy from the market. The MMA has continued to lead the CMAA's involvement, along with Fresh Markets Australia, in the delivery of "A Better Choice", a national consumer marketing program to influence consumer behaviour to shop at the local greengrocer. During the reporting period, Victorian retailer membership increased by three, with a total of 175 independent retailers now signed up as members; the highest membership of any state in Australia. This year has seen "A Better Choice" consumer marketing campaigns increase in size and scale. "A Better Choice" delivered two national advertising campaigns that included a mix of online, social and mainstream media, including radio and TV advertising as well as point of sale material for retailers.

The broader market community contributes to the program financially through the incorporation of a fee on the issuance of access cards. To promote the "A Better Choice" program internally, two large scale billboards were installed on the trading floor to increase brand awareness and interest in the program.

During the year, consultants were engaged to develop a three-year marketing plan for the program, to build on the learnings from the first two years of the program and provide clear direction to execute marketing on a national scale. The plan, to be finalised at the beginning of the next reporting period, will outline a path to success for the next phase of the "A Better Choice" program.

The MMA, in conjunction with Flowers Victoria, has continued to deliver and invest in fresh flower based marketing, encouraging consumers to buy from their local florist with targeted campaigns around key flower purchase periods. The successful Valentine's Day campaign was featured on radio and social media, with point-of-sale material produced for florists to utilise. Radio reach was 1.13 million across three stations, and social media advertising gained 729,700 impressions with a reach of 291,489. Of florists surveyed, 63 per cent reported Valentine's Day flower sales either increased or remained the same compared to the prior year.

Both the "A Better Choice" program and fresh flower marketing campaigns maximise economies of scale for the small to medium scale businesses that buy from the Melbourne Market. This allows them to have a greater share of advertising exposure to compete with the major supermarkets.

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 market, including events like Australia Day, Chinese New Year and Christmas celebrations. Some of the events were also used as a platform to raise funds and awareness for various charities. During the reporting period, the market community raised \$11,500 for Fight MND, \$38,000 for the Victorian Bushfire Appeal and \$1,260 for Movember. There were also a variety of other philanthropic activities, organised by various other market tenants, businesses and users that raised hundreds of thousands of dollars for charities. The MMA supports these market-user led initiatives by assisting with the promotion and advertising of charitable activities within the market.

In the fourth quarter of each year, the MMA undertakes its annual customer satisfaction survey. The survey showed a weighted average satisfaction rate of 73.55 per cent was achieved, exceeding our objective of a 70 per cent satisfaction rate and achieving an eight per cent increase in overall satisfaction on the previous year. NOTE: the market site relocated to its current site at Epping in 2015.

Market user satisfaction

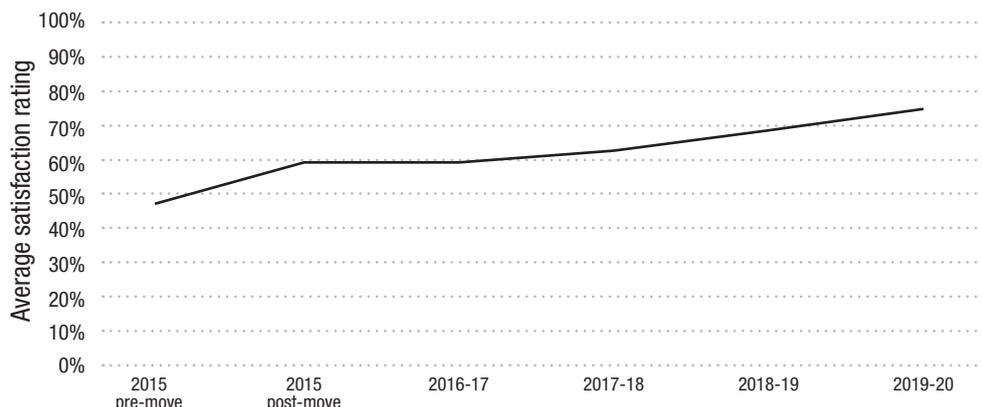


Figure 4: Market user satisfaction

Progress towards objective 2

| Indicator | 2018-19 | 2019-20 | 2020-21 |
|---|---------|---------|---------|
| • Increased utilisation of market facilities and services | ✓ | ✓ | |
| • Occupancy | ✓ | ✓ | |
| • Visitation | ✓ | ✓ | |
| • Market user satisfaction | ✓ | ✓ | |

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's new Epping site 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.

The finalised construction of an additional cool room in the flower market resulted in a high-profile flower expanding their footprint in the Melbourne Flower Market. Increasing the number of plant-based and flower products and sellers mean buyers can utilise the Melbourne Flower Market as a single destination for all flower related produce and products, improving logistical efficiencies for customers.

Since trading commenced at Epping in 2015, the MMA has been accepting registrations of interest for additional warehousing. During the reporting period, the MMA completed construction of an additional small format warehouse (Warehouse 7), comprising approximately 4,000m² net internal lettable area. The new warehouse accommodates 28 small footprint warehouse tenancies, ideally suited to wholesalers or providores looking to consolidate their operations at the market to reduce handling, transport and labour costs.

Throughout the year, several business and project plans were developed that form an overall logistical efficiency strategy for the Melbourne Market. The strategy identifies and prioritises additional facilities and services that will enhance logistical efficiency at the market.

Warehouse demand at the market remains high following construction of Warehouse 7. The MMA has developed concept designs for large format warehousing on Pads 10 and 11, which will see another major construction project at the market to further improve logistical efficiencies for tenants.

Last year, the MMA completed initial concept designs for additional undercover parking canopies and staging areas for Market users. This year, the full and final design, which includes a design and construct contract, was completed. The canopies, which will be fitted with a solar energy system, will increase business efficiency on-site and meet market community expectations for increased undercover parking. It is expected that construction will begin in early 2021.

Progress towards objective 3

| Indicator | 2018-19 | 2019-20 | 2020-21 |
|--|---------|---------|---------|
| • Understanding of the Market's broader roles in logistics as a fresh produce hub | ✓ | ✓ | |
| • Strategy developed incorporating identification and prioritization of additional facilities and services that enhance logistical efficiency by 30 June 2020. | n/a | ✓ | |
| • Business case development for two initiatives by June 2021. | n/a | n/a | |
| • Delivery of one additional facility or service by June 2021. | n/a | n/a | |

Objective 4: Precinct Master Planning

This objective focuses on the identification of services and facilities that could be delivered within the existing market land and the market future development area. This work is intended to create new revenue streams that increase the financial viability of the MMA and the Market's value proposition for users.

There are approximately seven hectares of developable land within the current Market boundary, and 51 hectares of developable land on the adjacent site.

Throughout the year, several business and project plans were developed that form a strategy for the Melbourne Market which identify potential additional facilities and services inside the current boundary, such as additional warehousing, that will enhance the market facility.

The MMA is proactive in the development of this adjacent land by engaging the state government in the development of a visionary master plan that will make the most logical outcome for the site self-evident to decision-makers, accelerating development.

To increase customer insights to inform the implementation of new products and services that add value to market users, a stakeholder consultation was held at the MMA in February 2020. The Department of Jobs Precincts and Regions (DJPR) facilitated the consultation for the master planning, which included major businesses in Melbourne's north. The aim was to develop vision and land use for the proposed Epping Food Hub development and optimise the land use and outcome. This project is considered significant for the economy of Melbourne's north. The proposal is a food hub of international significance and a prominent anchor in Victoria's food sector from an employment, research, and education point of view.

Land uses proposed by key stakeholders for the site expand beyond warehousing and are proposed to include facilitates such as packaging, labelling and associated technologies, education, research, food incubators, government food-related services and clean energy infrastructure. These are services and facilities that would complement the Melbourne Market, creating high calibre employment and essential industry services, along with export capabilities.

Progress towards objective 4

| Indicator | 2018-19 | 2019-20 | 2020-21 |
|---|---------|---------|---------|
| • Identification of best uses for vacant sites within the market and land allocation by 30 June 2020. | n/a | ✓ | |
| • Future development area commitment to master planning by June 2020 and | n/a | ✓ | |
| • Commitment to implementation by the State Government by June 2022 | n/a | n/a | |

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 significant exporter to 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. This assists in protecting the MMA's future revenue streams. It also increases the opportunities for the Victorian agricultural industry.

During the reporting period, the MMA Chairman, Chief Executive Officer and Chief Operating Officer visited key high performing export hubs and central Markets in Europe to identify best practice and understand additional facilities and developments that could be used to support export growth at the Melbourne Market.

The proposed Epping Food Hub on the adjacent 51-hectare site will play a significant role in supporting export growth at the Melbourne Market. Over the past year, the MMA has undertaken several stakeholder engagement activities and worked on business case developments in conjunction with the State Government. A whole-of-site master planning project progressed during the reporting period.

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. Four international delegations were hosted for tours during the reporting period. This number decreased from the previous year due to COVID-19.

The MMA also issues an annual licence to an operator of Market tours to service the needs of industry participants seeking both highly personalised and generic Market experiences. During 2019-20, the number of these tours decreased substantially due to the ongoing COVID-19 pandemic. In the first half of the year 435 individuals participated in a Market tour, of which, 235 individuals utilised this service for educational and international business purposes.

Of the Market tenants that completed the MMA's customer satisfaction survey in December 2019, 30 per cent indicated they currently undertake export activity with a further 32 per cent indicating they intend to within the next five years. This is an increase of 11 per cent on the previous year, confirming the importance of our strategic focus to support export growth.

Progress towards objective 5

| Indicator | 2018-19 | 2019-20 | 2020-21 |
|---|---------|---------|---------|
| • Understand services to assist in facilitating export | ✓ | ✓ | |
| • Identification of additional facilities and services that support export growth. | n/a | ✓ | |
| • Prioritisation, business case development and delivery of the additional facilities and services. | n/a | ✓ | |

Objective 6: Embrace digital change

Digital technology has the potential to drive significant disruption to traditional fresh produce trading models, creating major 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 presented by digital technology. Digital opportunities need to be embraced to improve efficiency, transparency and the exploitation of new business opportunities.

Over the reporting period, the MMA invested significant resources in implementing the first phase of our digital transformation strategy, which involves three stages to be implemented over a 3 to 5-year period.

Prior to the implementation of the strategy, the MMA used multiple technology systems and software platforms when interacting with customers, which was inefficient and frustrating for market users. In 2019 this was solved by the implementation of a single integrated customer relationship management (CRM) system. Salesforce was the platform chosen for the CRM system, which has resulted in both efficiencies internally and also for Market tenants and users. The CRM system facilitates a digital workflow and reporting process, which has decreased time spent on manual tasks, duplication of work and allows real-time tracking in the system.

Our market relations officers now have hand-held devices which provide real-time access to the CRM system, improving their capacity for customer service and operational activity out on the floor and reducing time taken for back-office administration duties.

Also, as part of the first phase of the rollout strategy, a significant piece of work was undertaken to develop a self-serve portal for customers, giving market users better control and visibility of their interactions with the MMA. The rollout of the portal will see a reduction in paper-based forms, which in turn reduces duplication of work for the MMA team. The portal is in the final stages of development and is due to be completed and rolled out to customers in the latter part of 2020.

This first phase of digital infrastructure has allowed the MMA to increase efficiency and enhance the Market user experience.

In addition to the work undertaken relating to the implementation of the CRM system, other technology improvements were made during the reporting period. The MMA website was migrated to a new hosting platform, which provides updated support, features and improves the overall functionality of the website.

The entire market site has now been switched over to the National Broadband Network (NBN). Over 200 upgrades have been completed and provide the underlying infrastructure for tenants to improve communication services for their business.

After five years of operation, a major project was undertaken to upgrade the CCTV network and equipment on site. The updated servers can now support future growth with the ability to expand the system in the future to include analytics and vehicle recognition. A robust CCTV system supports operations and safety on-site, and it also adds value to Market users who can work with the MMA, where necessary, to track lost produce and stock movements on-site.

Progress towards objective 6

| Indicator | 2018-19 | 2019-20 | 2020-21 |
|--|---------|---------|---------|
| • Digital strategy opportunities identified | ✓ | ✓ | |
| • Horizon 1 and key elements of Horizon 2 of the digital strategy implemented, facilitated by the enabling CRM infrastructure delivered in 2019/20 | n/a | ✓ | |
| • Horizon 3 delivered by 2022/23 | n/a | n/a | |

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 | 2019-20 | 2018-19 | 2017-18 | 2016-17 | 2015-16 |
|---|----------|----------|----------|----------|----------|
| Total revenue | 24 073 | 26 060 | 24 445 | 24 239 | 23 849 |
| Total operating expenditure | (22 628) | (21 999) | (19 959) | (20 893) | (23 357) |
| Net profit before income tax & depreciation | 1 445 | 4 061 | 4 486 | 3 346 | 492 |
| Depreciation charge | (13 872) | (12 565) | (12 644) | (12 554) | (14 055) |
| Net result from transactions | (12 427) | (8 504) | (8 158) | (9 208) | (13 563) |
| Net result for the period | (12 431) | 29 955 | 2 227 | 20 899 | 106 829 |
| Net cash flow from operating activities | (1 584) | 5 150 | 3 586 | 3 216 | (429) |
| Total assets | 505 265 | 520 283 | 490 191 | 634 619 | 615 342 |
| Total liabilities | 25 777 | 28 363 | 28 225 | 30 880 | 32 503 |

Overview

The MMA recorded an operating profit before tax and depreciation of \$1.4 million for the 2019-20 financial year and had net cash outflow from operating activities of \$1.5 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.

Financial performance business review

Total revenue and income decreased by 7.63 per cent on the prior period, as permanent rent / licence fee waivers of \$2.8 million for COVID-19 pandemic response were granted.

Total expenses from transactions have increased by 5.60 per cent. The MMA increased the scope of cleaning works to provide deep cleaning to high-risk areas in response to the COVID-19 pandemic along with increased security costs related to temperature screening measures upon entry. Other operating expenses that relate mainly to repairs and maintenance conducted to ensure the site is held to a high standard represent 49.85 per cent of total expenses from transactions.

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

Financial position – balance sheet

Net assets decreased by \$12.4 million over the year to \$480 million, of which \$13.1 million related to depreciation of buildings.

Cash flows

Cash balances decreased by \$14.1 million during the period to \$20.9 million at date of reporting. The decrease was driven by \$9.5 million for construction of the Warehouse 7 project and permanent rent / licence waivers that were granted for the reporting period of \$2.8 million for COVID-19 pandemic response.

Capital projects/asset investment programs

No capital projects of \$10 million or greater Total Estimated Investment were completed during the 2019-20 financial year.

Subsequent events

At the date these Financial Statements are authorised for issue, no further adjustments in respect of the impact of COVID-19 pandemic have been made. However, the COVID-19 situation continues to evolve. The full consequences on the MMA's future financial performance and the value of the MMA land and buildings continues to be uncertain. Other than the uncertain impact of COVID-19 pandemic, 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 Tuohy | <p>Commenced as a Board member on 18 January 2017 and was appointed Chairperson until 17 January 2020. Peter was re-appointed in January 2020 for an additional 3-year term until 17 September 2022.</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 was appointed as Chairman of the Board on 18 January 2017 for 3 years and has since been reappointed until September 2022.</p> <p>Peter is a fifth-generation grain, wool and prime lamb producer, whose experience in freight and logistics has seen him appointed as the Chair of the Victorian Rail Freight Working Group, Director on the Victorian Ports Corporation (Melbourne), a member of the Ministerial Freight Advisory Council.</p> <p>He continues to represent the interest of farmers as the Rural Assistance Commissioner. At the Victorian Farmers Federation (VFF) Peter served as President from 2012 to 2016 and as Vice President from 2009 to 2012. He was also Chair of the VFF Farm Business and Regional Development Committee from 2010 to 2013. At a national level, Peter was on the board of the National Farmers Federation (NFF) from 2012 to 2016 and served on its Economics committee.</p> |
| Gisela Marven (resigned as of 30 June 2020) | <p>Commenced as a Board member on 14 June 2011. Her appointment was extended on 22 February 2016 until 31 January 2019. She was 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. Gisela advised her resignation from the MMA Board as of 30 June 2020.</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. Gisela advised of her resignation from the MMA Board as of 30 June 2020. The MMA graciously acknowledged Gisela's support and commitment to the MMA.</p> |
| Jacinta Carboon | <p>Commenced as a Board member on 18 January 2017 and was appointed until 17 January 2020. Jacinta was re-appointed in January 2020 for an additional 3-year term until 17 September 2022.</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 was appointed to the Board on 18 January 2017 for 3 years and reappointed for a further 3 years on 18 January 2020 through until 17 September 2022. She is also a Non-Executive Director of RSPCA Victoria and Neami, National and Women's Information Referral Exchange. She has held an executive career with top ASX 200 companies, for over three decades, is an entrepreneurial thinker and innovator with professional expertise in strategy, sales, marketing and business development. Jacinta holds a Bachelor of Business and is a graduate of AICD.</p> |
| David Beatty | <p>Commenced as a Board member on 13 March 2018 and was appointed until 17 January 2020. David was re-appointed in January 2020 for an additional 3-year term until 17 September 2022.</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 & Merger and Acquisition & 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 led 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 was 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 was appointed to the Board on 31 January 2016 for a period of 3 years, and reappointed on 30 April 2019 for a further term of 3 years, expiring 30 April 2022.</p> <p>Sue is a Chartered Accountant who has a background in forensic accounting, risk assessment and business valuations. She currently works as a Director of Sapere Research Group, an 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 Court Services Victoria and 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 | ✓ | January 2020 - September 2022 | 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); and
- 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 | ✓ | January 2020 - September 2022 | 1 | 1 |
| Gisela Marven | ✓ | April 2019 - April 2022 | 1 | 1 |
| Jacinta Carboon | ✓ | January 2020 - September 2022 | 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.

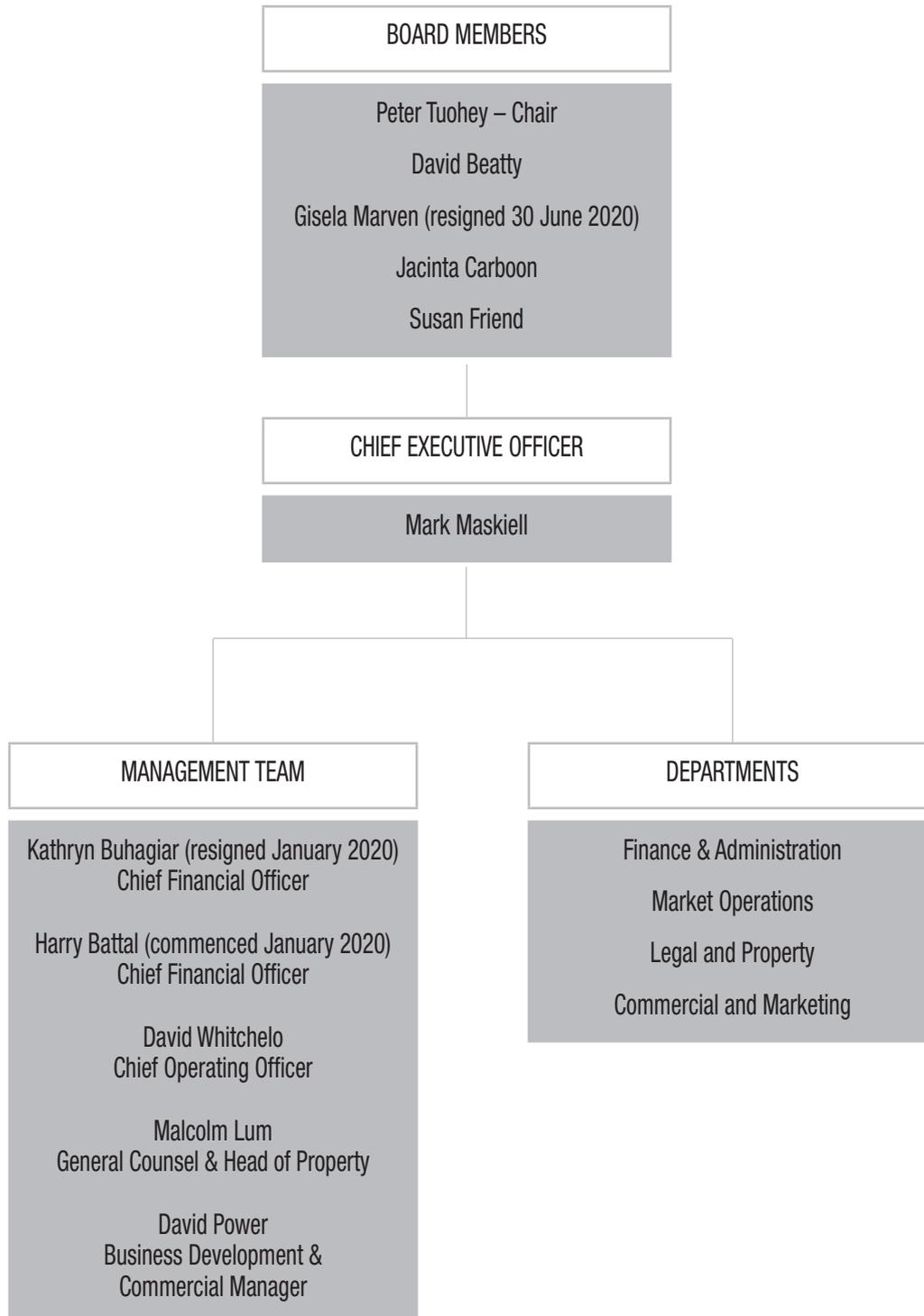
| Name | Independent | Term | Meetings Attended | Eligible to attend |
|-------------------------|-------------|-------------------------------|-------------------|--------------------|
| Peter Tuohey | ✓ | January 2020 - September 2022 | 1 | 1 |
| Jacinta Carboon (Chair) | ✓ | January 2020 - September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

Audit

NTT Ltd – were contracted to provide internal audit consulting services during 2019-20.

HLB Mann Judd, as a service provider for the Victorian Auditor-General, were contracted to undertake annual financial audit services during 2019-20.

Organisational Chart



Audit Committee membership and roles

The MMA Finance, Audit & Risk Management Committee (the Committee) consisted of the following members in 2019-20:

- 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, has 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 safe 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 are of paramount importance to the MMA.

As part of MMA's continuous drive for a safer workplace, 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 continued for MMA staff, contractors and visitors.

Additional OH&S training was undertaken during the reporting period for MMA staff, including the 'Supporting a Respectful and Safe Workplace' training course as well as an 'Effective Communication Skills' workshop.

Specific OHS training was delivered to relevant staff including, fire warden and evacuation training, first-aid training.

The COVID-19 pandemic resulted in some MMA staff and contractors being trained in safe temperature screening procedures.

A focus was also placed on ensuring staff had an adequate home environment to work from during the pandemic, with one-on-one assessments undertaken with staff and appropriate resources provided to ensure a safe home work environment.

OHS incidents

| Description | 2019-20 | 2018-19 | 2017-18 |
|--|---------|---------|---------|
| Number of reported hazards | 0 | 0 | 0 |
| Number of LTIs (Number of incidents resulting in lost time) | 0 | 0 | 0 |
| Serious Injury Rate (Number of LTIs resulting in greater than one week of lost time) | 0 | 0 | 0 |
| Total hours lost for the period | 0 | 0 | 0 |
| Average cost of all LTI claims in this period | 0 | 0 | 0 |
| 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 (2020) of the previous reporting period (2019).

Staffing has decreased by 1 (0.53 FTE) on the prior year. A Graduate Project Manager has now been outsourced

Table 1: Details of employment levels as of June 2019 and June 2020

| | June 2020 | | | | | | June 2019 | | | | | | |
|-------------------------|--------------------|--------------|-------------------------------|-----------------------|--------------------|-------------|--------------------|--------------|--------------------|-----------------------|--------------|--------------------|-------------|
| | All employees | | | Fixed term and casual | | | All employees | | | Fixed term and casual | | | |
| | Number (headcount) | FTE | Ongoing Part time (headcount) | Full-time (headcount) | Number (headcount) | FTE | Number (headcount) | FTE | Number (headcount) | Part time (headcount) | FTE | Number (headcount) | FTE |
| Gender | | | | | | | | | | | | | |
| Male | 10 | 10 | 5 | 5 | 5 | 5.00 | 10 | 10 | 5 | 0 | 5.00 | 5 | 4.63 |
| Female | 12 | 10.70 | 8 | 2 | 9.30 | 1.4 | 13 | 11.5 | 7 | 3 | 9.14 | 3 | 2.40 |
| Self-described | n | n | n | n | n | n | n | n | n | n | n | n | n |
| Age | | | | | | | | | | | | | |
| 15-24 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 4 | 4 | 0 | 0 | 0.00 | 4 | 3.63 |
| 25-34 | 3 | 2.60 | 1 | 1 | 1.6 | 1 | 3 | 2.6 | 1 | 1 | 1.60 | 1 | 1.00 |
| 35-44 | 9 | 8.70 | 5 | 1 | 5.70 | 3 | 9 | 8.7 | 4 | 2 | 5.54 | 0 | 0.00 |
| 45-54 | 6 | 5.40 | 4 | 0 | 4.0 | 1.4 | 8 | 7.4 | 5 | 0 | 5.00 | 3 | 2.40 |
| 55-64 | 4 | 4.00 | 3 | 0 | 3 | 1 | 1 | 1 | 2 | 0 | 2.00 | 0 | 0.00 |
| 65+ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0 | 0.00 |
| VPS 1-7 grades | 15 | 14.17 | 11 | 2.00 | 13.30 | 1.40 | 16 | 14.2 | 10 | 3 | 12.14 | 3 | 2.03 |
| VPS 1 | 1 | 1 | 1 | 0 | 1 | 0 | 1 | 1 | 1 | 0 | 1.00 | 0 | 0.00 |
| VPS 2 | 1 | 1 | 1 | 0 | 1 | 0 | 1 | 1 | 1 | 0 | 1.00 | 0 | 0.00 |
| VPS 3 | 2 | 2.00 | 2 | 0 | 2 | 0.00 | 3 | 3 | 2 | 0 | 2.00 | 1 | 0.63 |
| VPS 4 | 2 | 2 | 2 | 0 | 2 | 0 | 2 | 2 | 2 | 0 | 2.00 | 0 | 0.00 |
| VPS 5 | 4 | 4.60 | 2 | 1 | 3.60 | 1 | 4 | 3.4 | 1 | 2 | 2.44 | 1 | 1.00 |
| VPS 6 | 2 | 2 | 2 | 0 | 2 | 0 | 2 | 2 | 2 | 0 | 2.00 | 0 | 0.00 |
| VPS 7 | 3 | 2.1 | 1 | 1 | 1.7 | 0.4 | 3 | 2.1 | 1 | 1 | 1.70 | 1 | 0.40 |
| Senior Employees | 7 | 7 | 2 | 0 | 2 | 5 | 7 | 7 | 2 | 0 | 2.00 | 5 | 5.00 |
| STS | 2 | 2 | 2 | 0 | 2 | 0 | 2 | 2 | 2 | 0 | 2.00 | 0 | 0.00 |
| Executives | 5 | 5 | 0 | 0 | 0 | 5 | 5 | 5 | 0 | 0 | 0.00 | 5 | 5.00 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0 | 0.00 |
| Total employees | 22 | 21.70 | 13 | 2 | 15.30 | 6.40 | 23 | 21.17 | 12 | 3 | 14.14 | 8 | 7.03 |

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 | | 1 | | | | |
| \$160 000 - \$179 000 | 2 | 1 | | | | |
| \$180 000 - \$199 000 | | | | | | |
| \$200 000 - \$219 999 | 1 | | | | | |
| \$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 2020:

- 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 | | Self-described | |
|--------------|----------|----------|----------|----------|----------|----------|----------------|----------|
| | No. | Var. | No. | Var. | No. | Var. | No. | Var. |
| MMA | 4 | 0 | 4 | 0 | 0 | 0 | 0 | 0 |
| Total | 4 | 0 | 4 | 0 | 0 | 0 | 0 | 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 8.4 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

| | | 2020 | 2019 |
|------|---|----------|----------|
| | 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 |

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 2019-20 reporting period one construction project required compliance with the Local Jobs First – Victorian Industry Participation Policy:

- Warehouse 7 development achieved a 92 per cent local content against a target of 90 per cent. 374 local jobs were retained including 11 apprentices and 5 trainees. A further 16 local jobs, 6 apprenticeships, 2 traineeships and 2 cadetships were created as a direct result of this project.

Government Advertising Expenditure

The MMA's expenditure in the 2019-20 reporting period on government campaign expenditure did not exceed \$100,000.

Consultancy Expenditure

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

In 2019-20, there were seven consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2019-20 in relation to these consultancies is \$242,397 (excluding GST). Details of individual consultancies are outlined below.

| (\$dollars) | | | | | | |
|--|-------------------------------|-------------------|-----------------|---|---------------------------------------|---------------------------------------|
| <i>Consultant</i> | <i>Purpose of consultancy</i> | <i>Start date</i> | <i>End date</i> | <i>Total approved project fee (excl. GST)</i> | <i>Expenditure 2019-20(excl. GST)</i> | <i>Future expenditure (excl. GST)</i> |
| Azzo Victoria | Property advisory services | Dec - 19 | Apr - 20 | 14,780 | 14,780 | Nil |
| Department Environment Land Water and Planning | Property valuation services | Jul - 19 | Aug - 19 | 11,000 | 11,000 | Nil |
| MacDonald Lucas | Quantity Surveyor | Oct - 19 | Apr - 20 | 86,996 | 86,996 | Nil |
| McKinna <i>et al</i> | Property advisory services | Jul - 19 | Aug - 19 | 18,000 | 18,000 | Nil |
| Root Partnerships | Project management services | Ongoing | Ongoing | 10,290 | 10,290 | Ongoing |
| Russell Kennedy | Legal advisory services | Ongoing | Ongoing | 20,961 | 20,961 | Ongoing |
| Sharp & Carter | Employee recruitment services | Dec - 19 | Mar - 20 | 80,370 | 80,370 | Nil |

Details of consultancies under \$10,000

In 2019-20, there were 21 consultancies engaged during the year, where the total fee payable to the individual consultancies was less than \$10,000. The total expenditure during 2019-20 in relation to these consultancies was \$84,839 (ex. GST).

Information and communication technology expenditure

Details of information and communication technology (ICT) expenditure

The MMA has partnered with PricewaterhouseCoopers (PwC) to deliver on digital aspirations during the reporting period. 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.

For the 2019-20 reporting period, the MMA had a total ICT expenditure of \$2,498,679 with the details shown below.

(\$dollars)

| <i>Business As Usual (BAU) ICT expenditure</i> | <i>Non-Business As Usual (nonBAU) ICT expenditure</i> | <i>Operational expenditure</i> | <i>Capital expenditure</i> |
|--|---|--------------------------------|----------------------------|
| (Total) | (Total = Operational expenditure and capital expenditure) | | |
| \$437,998.17 | \$2,060,680.57 | \$499,744.16 | \$1,560,936.41 |

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 2019-20.

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 2019-20, 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 2019-2020:

| | |
|--|--|
| Number of major works projects undertaken (>\$50 000) | 2 |
| Number of building permits, occupancy permits or certificate of final inspection issued in relation to buildings owned | 2 building permits 0 occupancy permits 0 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 completion between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

The MMA 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 *Public Interest Disclosures 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 public interest 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.

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*.

The MMA has established procedures for the protection of persons from detrimental action in reprisal for making a public interest disclosure about the MMA, its board members, officers or employees. You can access the MMA's procedures on its website at: www.melbournemarket.com.au/the-mma

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.

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 environmental focus has been to maintain, and improve on, existing initiatives to reduce the environmental impact in the areas of energy, 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.

With existing initiatives in place, the market exceeded its target and achieved a recycling rate of 97.9 per cent, the highest recycling rate of any wholesale market in the world.

During the reporting period an additional 12 pine pallet pick up locations were added to the site for free deposit and reuse of pine pallets reducing wood products to landfill. An additional four cardboard collection cages were also added to the site. The promotion and education, as well as waste disposal system that is financially incentivised, were the primary drivers for the reduction in landfill deposits and the increase in recycled waste during the reporting period.

Energy use

Due to the COVID-19 pandemic the market has experienced a decrease in visitation during the final four months of the reporting period. This has impacted operating conditions, decreasing overall energy consumption.

| Indicator | 2019-20 | | | 2018-19 | | |
|---|-------------|-------------|-------------------|-------------|-------------|-------------------|
| | Electricity | Natural Gas | Total | Electricity | Natural Gas | Total |
| Total energy usage segmented by primary source (MJ) | 27,467,382 | 1,946,268 | 29,413,650 | 30,779,463 | 2,155,391 | 32,934,854 |
| Greenhouse gas emissions associated with energy use, segments by primary source and offsets (t CO ₂ e) | 12,896 | 102 | 12,998 | 13,781 | 114 | 13,895 |

Actions undertaken

- Construction of Warehouse 7 was completed which includes a 4,200 m² rooftop with 1110 solar panels providing a capacity of 460.65 kW. The energy benefits of these solar panels will be realised in next reporting period.
- Submitted an application for a solar power system, which would supply 4.9 megawatt of power to use on site.
- The MMA undertook significant investigations on extensive renewable energy production on-site. The results of the investigations are captured in targets set for 2020-21.

Targets

The following targets have been set for 2020-21:

- Install additional solar panels on 2.2 hectares of car park canopies once constructed.
- Investigate the feasibility of additional solar power system installation for critical plant and high use areas.
- Investigate the use of a hydrogen generator using harvested rain water.

Waste and recycling

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 1,016,780 kilograms of organic waste to the facility for the year ending June 2019. A further 218,750 kilograms of organic produce was distributed to Food Bank Victoria as part of our food recovery program.

| Indicator | 2019-20 | | | | 2018-19 | | | |
|--|----------|---------------------|-----------|------------------|----------|---------------------|-----------|------------------|
| | Landfill | Comingled recycling | Compost | Total | Landfill | Comingled recycling | Compost | Total |
| Total units of waste disposed (kg/yr) | 63,020 | 1,983,170 | 1,016,780 | 3,062,970 | 82,040 | 1,885,720 | 1,045,460 | 3,013,220 |
| Recycling rate (percentage of total waste) | 2.1% | 64.7% | 33.2% | 97.9% | 2.7% | 62.6% | 62.6% | 97.3% |
| Greenhouse gas emissions associated with waste disposal (t CO ₂ -e) | | | | 57 | | | | 74 |

Actions undertaken

Increased pine pallet recycling stations resulting in a 12 per cent reduction in wood products to landfill

Targets

- Introduce additional food recovery providers to the market.
- Maintain or improve 97.9 per cent recycling rate.

Paper

The implementation of the first stage of the MMA's digital strategy has resulted in a decrease of printed correspondence being sent to Market users.

| Indicator | 2019-20 | 2018-19 |
|--|---------|---------|
| Total units of copy paper used (reams) | 376 | 606 |
| Units of copy paper used per FTE (reams/FTE) | 18 | 28 |
| Percentage of 50-74% recycled content copy paper purchased | 100% | 100% |

Actions undertaken

Financial processes significantly changed resulting in less printed correspondence being distributed.

Targets

- Fully implement the MMA's digital transformation strategy which will further shift behaviour to online as opposed to paper-based forms.

Water consumption

The water consumption during the reporting period has decreased by 1.9 per cent compared to the previous reporting period.

The contributing factors were an increase in rainfall on the previous year and an ability to utilise more recycled water from roof water catchments.

| <i>Indicator</i> | <i>2019-20</i> | <i>2018-19</i> |
|---|----------------|----------------|
| Total units of metered water consumed by usage types (kilolitres) | 32,113,000 | 32,727,000 |
| Units of measured water consumed in office offices per FTE (kilolitres/FTE) | n/a | n/a |

Targets

- Re-direct harvested rainwater to the central cooling plant water cooling towers, potentially saving 14 million litres of potable water per year.

Travel and transport

The MMA does not have fleet vehicles.

Three members of MMA executive travelled on a study tour to Europe to investigate and take learning from the logistics and export hub in the Netherlands.

| <i>Indicator</i> | <i>2019-20</i> | <i>2018-19</i> |
|---------------------------------------|----------------|----------------|
| Total distance travelled by aeroplane | 114,498 | 5,285 |

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>2019-20</i> | <i>2018-19</i> |
|---|----------------|----------------|
| Total greenhouse gas emissions associated with energy use (t CO ₂ e) | 12,999 | 13,894 |
| Total greenhouse gas emissions associated with vehicle fleet (t CO ₂ e) | n/a | n/a |
| Total greenhouse gas emissions associated with air travel (t CO ₂ e) | 28 | 3 |
| Total greenhouse gas emissions associated with waste production (t CO ₂ e) | 57 | 74 |

Actions undertaken

All the actions undertaken in the energy and waste sectors will help to reduce the MMA's environmental impacts.

Targets

The following targets have been set for 2020-21:

- Implementing the use of more renewable power sources.

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 that declarations of pecuniary interests have been duly completed by all relevant officers;
- b) details of shares held by a senior officer 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 17; and
- (b) Details of all consultancies and contractors including consultant/contractors engaged; services provided; and expenditure committed for each engagement on page 24.

MELBOURNE MARKET AUTHORITY

Melbourne Market Authority Financial Management Compliance Attestation Statement

I Mark Maskiell, certify that the Melbourne Market Authority (MMA) has no Material Compliance Deficiency with respect to the applicable Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994* and Instructions.



Chief Executive Officer
Melbourne Market Authority
22 September 2020

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 | 4 |
| FRD 22H | Purpose, functions, powers and duties | 7 |
| FRD 8D | Departmental objectives, indicators and outputs | 8 |
| FRD 22H | Key initiatives and projects | 9 |
| FRD 22H | Nature and range of services provided | 7 |
| Management and structure | | |
| FRD 22H | Organisational structure | 18 |
| Financial and other information | | |
| FRD 8D | Performance against output performance measures | 8 |
| FRD 8D | Budget portfolio outcomes | 15 |
| FRD 10A | Disclosure index | 32 |
| FRD 12B | Disclosure of major contracts | 25 |
| FRD 15E | Executive officer disclosures | 23 |
| FRD 22H | Employment and conduct principles | 20 |
| FRD 22H | Occupational health and safety policy | 20 |
| FRD 22H | Summary of the financial results for the year | 15 |
| FRD 22H | Significant changes in financial position during the year | 15 |
| FRD 22H | Major changes or factors affecting performance | 15 |
| FRD 22H | Subsequent events | 15 |
| FRD 22H | Application and operation of <i>Freedom of Information Act 1982</i> | 25 |
| FRD 22H | Compliance with building and maintenance provisions of <i>Building Act 1993</i> | 26 |
| FRD 22H | Statement on National Competition Policy | 26 |
| FRD 22H | Application and operation of the <i>Protected Disclosure Act 2012</i> | 26 |
| FRD 22H | Application and operation of the <i>Carers Recognition Act 2012</i> | 26 |
| FRD 22H | Details of consultancies over \$10 000 | 24 |
| FRD 22H | Details of consultancies under \$10 000 | 24 |
| FRD 22H | Disclosure of government advertising expenditure | 24 |
| FRD 22H | Disclosure of ICT expenditure | 25 |
| FRD 22H | Statement of availability of other information | 30 |
| FRD 24D | Reporting of office-based environmental impacts | 27 |

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| FRD 25D | Local Jobs First | 24 |
| FRD 29C | Workforce data disclosures | 21 |
| SD 5.2 | Specific requirements under Standing Direction 5.2 | 7 |

Compliance attestation and declaration

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| SD 5.4.1 | Attestation for compliance with Ministerial Standing Direction | 31 |
| SD 5.2.3 | Declaration in report of operations | 3 |

Financial Statements

Declaration

| | | |
|----------|-------------------------------------|----|
| SD 5.2.2 | Declaration in financial statements | 36 |
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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 | 36 |
| SD 5.2.1(a) | Compliance with Standing Directions | 36 |
| SD 5.2.1(b) | Compliance with Model Financial Report | 83 |

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

| | | |
|----------|--|-----|
| FRD 9B | Departmental Disclosure of Administered Assets and Liabilities by Activity | N/A |
| FRD 11A | Disclosure of Ex gratia Expenses | 51 |
| FRD 13 | Disclosure of Parliamentary Appropriations | N/A |
| FRD 21C | Disclosure of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report | 77 |
| FRD 103H | Non-Financial Physical Assets | 54 |
| FRD 110A | Cash Flow Statements | 61 |
| FRD 112D | Defined Benefit Superannuation Obligations | N/A |
| FRD 114C | Financial Instruments - general government entities and public non-financial corporations | 63 |

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

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| <i>Freedom of Information Act 1982</i> | 25 |
| <i>Building Act 1993</i> | 26 |
| <i>Protected Disclosure Act 2012</i> | 26 |
| <i>Carers Recognition Act 2012</i> | 26 |
| <i>Local Jobs Act 2003</i> | 24 |
| <i>Financial Management Act 1994</i> | 36 |

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 2020 in the following structure to provide users with the information about the MMA's stewardship of resources entrusted to it.

| | | |
|--|---|-----------|
| Financial Statements | Comprehensive operating statement | 39 |
| | Balance sheet | 40 |
| | Cash flow statement | 41 |
| | Statement of changes in equity | 42 |
| Notes to the financial Statements | 1. About this report | 43 |
| | The basis on which the financial statements have been prepared and compliance with reporting regulations. | |
| | 2. Funding delivery of our services | 45 |
| | Revenue recognised from rent, parking, interest and other sources | |
| | 2.1 Summary of revenue and income that funds the delivery of our services | 45 |
| | 2.2 Revenue and income from transactions | 45 |
| | 3. The cost of delivering services | 48 |
| | Operating expenses of the MMA | |
| | 3.1 Expenses incurred in delivery of services | 48 |
| | 3.2 Other operating expenses | 51 |
| | 4. Key assets available to support output delivery | 52 |
| | Land, property, intangible assets, investments and other financial assets | |
| | 4.1 Total property, plant and equipment | 52 |
| | 4.2 Intangible assets | 56 |
| | 4.3 Investments and other financial assets | 57 |
| | 5. Other assets and liabilities | 58 |
| | Working capital balances, and other key assets and liabilities | |
| | 5.1 Receivables | 58 |
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| | 6. How we financed our operations | 60 |
| | Borrowings and cash flow information | |
| 6.1 Borrowings | 60 | |
| 6.2 Cash flow information and balances | 61 | |
| 6.3 Commitments for expenditure | 62 | |
| 7. Risks, contingencies and valuation judgements | 63 | |
| Financial risk management, contingent assets and liabilities as well as fair value determination | | |
| 7.1 Financial instruments specific disclosures | 63 | |
| 7.2 Contingent assets and contingent liabilities | 70 | |
| 7.3 Fair value determination | 71 | |

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| 8. | Other disclosures | 75 |
| 8.1 | Reserves | 75 |
| 8.2 | Change in accounting policies | 75 |
| 8.3 | Responsible persons | 77 |
| 8.4 | Remuneration of executives | 77 |
| 8.5 | Related parties | 78 |
| 8.6 | Remuneration of auditors | 79 |
| 8.7 | Subsequent events | 79 |
| 8.8 | Other accounting policies | 80 |
| 8.9 | Australian Accounting Standards issued that are not yet effective | 80 |
| 8.10 | Glossary of technical terms | 80 |
| 8.11 | Style conventions | 83 |

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 2020 and financial position of the MMA at 30 June 2020.

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 22 September 2020.



H Battal
Chief Financial Officer

Melbourne
22 September 2020



M Maskiell
Chief Executive Officer

Melbourne
22 September 2020



P Tuohey
Chairperson

Melbourne
22 September 2020

Independent Auditor's Report

To the Members of the Melbourne Market Authority

Opinion I have audited the financial report of the Melbourne Market Authority (the authority) which comprises the:

- balance sheet as at 30 June 2020
- 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.

In my opinion the financial report presents fairly, in all material respects, the financial position of the authority as at 30 June 2020 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

Basis for Opinion I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

My independence is established by the *Constitution Act 1975*. 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 Code of Ethics for Professional Accountants* (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.

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

Member's responsibilities for the financial report 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 *Financial Management Act 1994*, 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.

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.

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's 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
28 September 2020



Simone Bohan
as delegate for the Auditor-General of Victoria

MELBOURNE MARKET AUTHORITY

Comprehensive operating statement

| For the financial year ended 30 June 2020 | | (\$ dollars) | |
|--|-------|---------------------|---------------------|
| | Notes | 2020 | 2019 |
| Continuing operations | | | |
| Revenue and income from transactions | | | |
| Interest income | 2.2.1 | 267,132 | 590,109 |
| Sale of goods and services | 2.2.2 | 5,726,938 | 5,423,748 |
| Rental income | 2.2.3 | 18,078,849 | 20,046,543 |
| Total revenue and income from transactions | | 24,072,919 | 26,060,400 |
| Expenses from transactions | | | |
| Employee expenses | 3.1.1 | (3,337,579) | (3,220,446) |
| Depreciation and amortisation | 4.1.1 | (13,872,186) | (12,565,309) |
| Interest expense | 6.1 | (1,096,585) | (1,129,279) |
| Other operating expenses | 3.2 | (18,193,605) | (17,649,724) |
| Total expenses from transactions | | (36,499,955) | (34,564,758) |
| Net result from transactions (net operating balance) | | (12,427,036) | (8,504,358) |
| Other economic flows included in net result | | | |
| Net gain/(loss) on non-financial assets ^(a) | | 3,025 | (5,570) |
| Other gains/(losses) from other economic flows | | (7,298) | 2,641 |
| Total other economic flows included in net result | | (4,273) | (2,929) |
| Net result | | (12,431,309) | (8,507,287) |
| 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 |
| Total other economic flows - other comprehensive income | | - | 38,461,987 |
| Comprehensive result | | (12,431,309) | 29,954,700 |

The accompanying notes form part of these financial statements.

Notes:

(a) 'Net gain/(loss) on non-financial assets' includes unrealised and realised gains/(losses) from revaluations, impairments and disposals of all physical assets and intangible assets, except when these are taken through the asset revaluation surplus.

MELBOURNE MARKET AUTHORITY

Balance sheet

| As at 30 June 2020 | | (\$ dollars) | |
|--|-------|--------------------|--------------------|
| | Notes | 2020 | 2019 |
| Assets | | | |
| Financial assets | | | |
| Cash and deposits | 6.2 | 20,855,093 | 9,948,299 |
| Receivables | 5.1 | 2,711,458 | 1,308,095 |
| Investments and other financial assets | 4.3 | - | 25,000,000 |
| Total financial assets | | 23,566,551 | 36,256,394 |
| Non-financial assets | | | |
| Property, plant & equipment | 4.1 | 479,738,770 | 483,273,773 |
| Intangible assets | 4.2 | 1,634,096 | 459,246 |
| Prepayments | | 325,998 | 293,442 |
| Total non-financial assets | | 481,698,864 | 484,026,461 |
| Total assets | | 505,265,415 | 520,282,855 |
| Liabilities | | | |
| Payables | 5.2 | 5,328,184 | 7,075,772 |
| Borrowings | 6.1 | 20,000,000 | 21,000,000 |
| Employee related provisions | 3.1.2 | 448,364 | 286,907 |
| Total liabilities | | 25,776,548 | 28,362,679 |
| Net assets | | 479,488,867 | 491,920,176 |
| Equity | | | |
| Accumulated surplus | | 129,352,409 | 141,783,718 |
| Physical asset revaluation surplus | 8.1 | 136,329,721 | 136,329,721 |
| Contributed capital | | 213,806,737 | 213,806,737 |
| Net worth | | 479,488,867 | 491,920,176 |

The accompanying notes form part of these financial statements.

MELBOURNE MARKET AUTHORITY

Cash flow statement

| For the financial year ended 30 June 2020 | | (\$ dollars) | |
|---|-------|---------------------|---------------------|
| | Notes | 2020 | 2019 |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Receipts from customers | | 22,630,066 | 25,672,037 |
| Interest received | | 419,692 | 519,483 |
| Other receipts | | 514,323 | 150,891 |
| Total receipts | | 23,564,081 | 26,342,411 |
| Payments | | | |
| Payments to suppliers and employees | | (23,686,905) | (19,480,648) |
| Goods and Services Tax paid to the ATO ^(a) | | (364,789) | (582,500) |
| Interest and other costs of finance paid | | (1,096,585) | (1,129,279) |
| Total payments | | (25,148,279) | (21,192,427) |
| Net cash flows from/(used in) operating activities | 6.2.1 | (1,584,198) | 5,149,984 |
| Cash flows from investing activities | | | |
| Purchases of non-financial assets | | (11,512,033) | (2,299,312) |
| Proceeds from sale of investments | | 25,000,000 | - |
| Proceeds from disposals of non-financial assets | | 3,025 | 84,211 |
| Net cash flows from/(used in) investing activities | | 13,490,992 | (2,215,101) |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | (1,000,000) | (1,000,000) |
| Net cash flows from/(used in) financing activities | | (1,000,000) | (1,000,000) |
| Net increase in cash and cash equivalents | | 10,906,794 | 1,934,883 |
| Cash at the beginning of the financial year | | 9,948,299 | 8,013,416 |
| Cash and cash equivalents at the end of the financial year | 6.2 | 20,855,093 | 9,948,299 |

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 2020

(\$ dollars)

| | Notes | Physical asset revaluation surplus | Accumulated surplus | Contributed capital | Total |
|--|-------|--|------------------------|------------------------|--------------------|
| Balance at 1 July 2018 | | 97,867,734 | 150,291,005 | 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 |
| Net result for the year | | - | (12,431,309) | - | (12,431,309) |
| Balance at 30 June 2020 | | 136,329,721 | 129,352,409 | 213,806,737 | 479,488,867 |

The accompanying notes form part of these financial statements.

*Note:

(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.

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.

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*.

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

Impact of COVID-19 pandemic

The events relating to COVID-19 have had a material adverse impact on both the operations and financial performance of the MMA during the period. These impacts have included the government imposed trading restrictions on some of our tenants resulting in arrears (compared to prior periods), the enactment of legislation implementing the National Cabinet Mandatory Code of Conduct ("Code of Conduct") for small and medium size enterprise tenants, a three month rent relief to flower trading stands and a two month rent relief for other non-flower rental income and an increase in expenses particularly surrounding extra cleaning and security related to temperature screening measures at the front gate.

As these COVID-19 related impacts are ongoing, there is continued uncertainty in relation to the future financial performance of the MMA. MMA's going concern assessment identified that there were no going concern issues. As such, the financial statements have been prepared on a going concern basis.

The implications of the above on the Financial Statements falls broadly into two areas:

Recording and collecting of rental income

Pursuant to the Code of Conduct, the MMA is obligated to give rental relief to tenants who are small and medium-sized entities (defined as having annual revenue of less than \$50 million) and who qualify for the JobKeeper Payment Scheme. That rental relief is required to be proportional to the decrease in the tenant's sales for the relevant period, and is to be granted as a permanent rent waiver of at least 50% of the relief given, with the balance of the rental relief as a rent deferral. The rent deferral component is to be repaid by the tenants over the remaining lease term, but not less than 24 months (in some jurisdictions), once the COVID-19 pandemic has ended. In addition, some tenant who do not qualify for the Code of Conduct relief have also requested that their rent be waived in whole or in part.

As the MMA has granted a permanent rent waiver of three month rent relief to flower trading stands for the months of April to June and a two month rent relief for all other non-flower rental income for the months of April and May, the MMA has not provided for the portion of rental income invoiced during the June period that has not been received, there were no rent deferrals as at reporting date with the MMA considering all future requests on a case-by-case basis. Permanent rent waivers granted for the reporting period total \$2,792,524.

Land and buildings fair value

In compliance with FRD 103H, in the year ended 30 June 2020, management conducted an annual assessment of the fair value of land and buildings. To facilitate this, management obtained from the Department of Treasury and Finance the Valuer-General Victoria (VGV) indices for the financial year ended 30 June 2020.

The VGV indices, which are based on data to March 2020, indicate an average increase of 7% across all land parcels and a 2.5% increase in buildings.

Management regards the VGV indices to be a reliable and relevant data set to form the basis of their estimates. Whilst these indices are applicable at 30 June 2020, the fair value of land and buildings will continue to be subjected to the impacts of COVID-19 in future accounting periods.

As the accumulative movement was less than 10% for land and buildings no managerial revaluation was required.

The land and building balances are considered to be sensitive to market conditions. To trigger a managerial revaluation a decrease in the land indices of 8.4% and a decrease in the building indices of 12.5% would be required.

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 revenue and income that funds the delivery of our services
- 2.2 Income from transactions

2.1 SUMMARY OF REVENUE AND INCOME THAT FUNDS THE DELIVERY OF OUR SERVICES

| | | (\$ dollars) | |
|---|-------|-------------------|-------------------|
| | Notes | 2020 | 2019 |
| Interest income | 2.2.1 | 267,132 | 590,109 |
| Sale of goods and services | 2.2.2 | 5,726,938 | 5,423,748 |
| Rental income | 2.2.3 | 18,078,849 | 20,046,543 |
| Total revenue and income from transactions | | 24,072,919 | 26,060,400 |

Revenue and income that fund delivery of the MMA's services are accounted for consistently with the requirements of the relevant accounting standards disclosed in the following notes.

2.2 REVENUE AND INCOME FROM TRANSACTIONS

2.2.1 INTEREST INCOME

| | (\$ dollars) | |
|---|----------------|----------------|
| | 2020 | 2019 |
| Interest from financial assets not at fair value through profit and loss | | |
| Interest on bank deposits | 267,132 | 590,109 |
| Total interest from financial assets not at fair value through profit and loss | 267,132 | 590,109 |

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

Net realised and unrealised gains and losses on the revaluation of investments do not form part of income from transactions, but are reported as unrealised gains or losses taken directly to equity, forming part of the total change in net worth in the comprehensive result.

MELBOURNE MARKET AUTHORITY

2.2.2 SALE OF GOODS AND SERVICES

| | (\$ dollars) | |
|--|------------------|------------------|
| | 2020 | 2019 |
| Sale of goods | 1,564,475 | 1,689,082 |
| Rendering of services | 889,286 | 425,630 |
| Parking income | 3,273,177 | 3,309,036 |
| Total income from sales of goods and services | 5,726,938 | 5,423,748 |

The sale of goods along with rendering of services included in the table above are transactions that the MMA has determined to be classified as revenue from contracts with customers in accordance with AASB 15. The impact of initially applying AASB 15 on the MMA's revenue from contracts with customers is described in Note 8.2.2. Due to the modified retrospective transition method chosen in applying AASB 15, comparative information has not been restated to reflect the new requirements.

Performance of obligations and revenue recognition policies

Revenue is measured based in the consideration specified in the contract with the customer. The MMA recognises revenue when it transfers control of a good or service to the customer, i.e. when, or as, the performance obligations for the sale of goods and services to the customer are satisfied.

- Customers obtain control of the supplies and consumables at a point in time when the goods are delivered to and have accepted at their premises.
- Revenue from the sale of goods are recognised when the goods are delivered and have been accepted by the customer at their premises.
- Revenue from the rendering of services is recognised at a point in time when the performance obligation is satisfied when the service is completed; and over time for parking income when the customer simultaneously receives and consumes the services as it is provided.

Customers are invoiced and revenue is recognised when the goods are delivered and accepted by customers. For services rendered, where customers simultaneously receive and consume the services as it is provided, revenue is recognised progressively as contract assets until the customer is subsequently invoiced in accordance with the terms of the service agreement. For other customers that are only able to consume the services when they have been completed, revenue is only recognised upon completion and delivery of the services. As the sales are made with a short credit term, there is no financing element present. There has been no change in the recognition of revenue from the sale of goods as a result of the adoption of AASB 15.

Consideration received in advance of recognising the associated revenue from the customer is recorded as a contract liability (Note 5.2).

MELBOURNE MARKET AUTHORITY

Previous accounting policy for 30 June 2019

Revenue from the sale of goods and rendering of services was recognised when it was probable that the economic benefits associated with the transaction would flow to the MMA.

2.2.3 RENTAL INCOME

| | (\$ dollars) | |
|------------------------------------|-------------------|-------------------|
| | 2020 | 2019 |
| Rental income | | |
| Fruit and vegetable trading stands | 2,569,971 | 2,980,005 |
| Wholesale stores and warehouses | 8,557,832 | 9,745,086 |
| Flower trading stands | 1,020,146 | 1,431,096 |
| Other commercial rents | 5,930,900 | 5,890,356 |
| Total rental income* | 18,078,849 | 20,046,543 |

Note *

(2020) Covid-19 has resulted in a reduction to rental income, as a three month rent relief to flower trading stands and a two month rent relief for all other non-flower rental income was provided in the 30 June 2020 period.

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

Rental income from operating leases are 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. The risks associated with rights that the MMA retains in underlying assets are not considered to be significant, the MMA employs strategies to further minimise these risks. For example, the MMA operating rules requiring the lessee to compensate the MMA when a property has been subject to excess wear and tear during the lease term.

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.

Leases as a Lessor

The MMA's accounting policy under ASSB 16 has not changed from the comparative period.

As a lessor, the MMA classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

| | (\$ dollars) | |
|--|-------------------|-------------------|
| | 2020 | 2019 |
| Non-cancellable operating lease receivables | | |
| Not longer than one year | 12,597,320 | 11,826,336 |
| Longer than one year but not longer than five years | 42,749,053 | 6,838,888 |
| Longer than five years | 1,175,252 | 666,919 |
| Total non-cancellable operating lease receivables | 56,521,625 | 19,332,143 |

Leases have lease terms of 1, 3, 5, and 15 years.

MELBOURNE MARKET AUTHORITY

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) | |
|--|--------------|-------------------|-------------------|
| | <i>Notes</i> | <i>2020</i> | <i>2019</i> |
| Employee benefit expenses | 3.1.1 | 3,337,579 | 3,220,446 |
| Other operating expenses | 3.2 | 18,193,605 | 17,649,724 |
| Total expenses incurred in delivery of services | | 21,531,184 | 20,870,170 |

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) | |
|---|------------------|------------------|
| | <i>2020</i> | <i>2019</i> |
| Defined contribution superannuation expense | 254,717 | 249,377 |
| Salaries and wages, annual leave and long service leave | 3,082,862 | 2,971,069 |
| Total employee expenses | 3,337,579 | 3,220,446 |

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 MMA 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).

MELBOURNE MARKET AUTHORITY

3.1.2 EMPLOYEE BENEFITS IN THE BALANCE SHEET

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

| | (\$ dollars) | |
|---|----------------|----------------|
| | 2020 | 2019 |
| Current provisions: | | |
| Annual leave | | |
| Unconditional and expected to settle within 12 months | 150,497 | 111,007 |
| Unconditional and expected to settle after 12 months | 51,198 | 18,654 |
| Long service leave | | |
| Unconditional and expected to settle within 12 months | 59,778 | 20,108 |
| Unconditional and expected to settle after 12 months | 29,307 | 8,225 |
| Provisions for on-costs | | |
| Unconditional and expected to settle within 12 months | 35,859 | 22,707 |
| Unconditional and expected to settle after 12 months | 9,567 | 3,202 |
| Total current provisions for employee benefits | 336,206 | 183,903 |
| Non-current provisions: | | |
| Employee benefits | 97,216 | 89,281 |
| On-costs | 14,942 | 13,723 |
| Total non-current provisions for employee benefits | 112,158 | 103,004 |
| Total provisions for employee benefits | 448,364 | 286,907 |

Reconciliation of movement in on-cost provision

| | (\$ dollars) |
|--|---------------|
| | 2020 |
| Opening balance | 39,632 |
| Additional provisions recognised | 43,904 |
| Reductions arising from payment/other sacrifices of future economic benefits | (23,168) |
| Closing balance | 60,368 |
| Current | 45,426 |
| Non-current | 14,942 |

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 the MMA does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

MELBOURNE MARKET AUTHORITY

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

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

The components of this current LSL liability are measured at:

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

Conditional LSL is disclosed as a non-current liability. There is a conditional 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 MMA are entitled to receive superannuation benefits and the MMA contributes to defined contribution plans.

| | (\$ dollars) | | | |
|-----------------------------------|---------------------------------------|----------------|---|------------|
| | <i>Paid contribution for the year</i> | | <i>Contribution outstanding at year end</i> | |
| | 2020 | 2019 | 2020 | 2019 |
| Defined contribution plans | | | | |
| Vision Super (Default fund) | 10,512 | 18,486 | - | - |
| Other | 252,969 | 240,473 | - | 423 |
| Total | 263,481 | 258,959 | - | 423 |

MELBOURNE MARKET AUTHORITY

3.2 OTHER OPERATING EXPENSES

| | (\$ dollars) | |
|--|-------------------|-------------------|
| | 2020 | 2019 |
| Supplies and services | | |
| Market operations | 4,857,081 | 4,393,622 |
| Repairs and maintenance | 2,718,348 | 1,812,860 |
| Fuels, rates and taxes | 4,154,824 | 5,924,265 |
| Marketing and media | 515,089 | 358,941 |
| Audit and insurance | 400,677 | 401,732 |
| Professional services | 3,524,424 | 3,686,412 |
| Other | 1,630,781 | 1,138,484 |
| Bad and doubtful debts from transactions | 382,763 | (66,592) |
| Ex-gratia expense | 9,618 | - |
| Total other operating expenses | 18,193,605 | 17,649,724 |

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.

MELBOURNE MARKET AUTHORITY

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 | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land at fair value | 71,500,000 | 71,500,000 | - | - | 71,500,000 | 71,500,000 |
| Buildings at fair value | 420,335,875 | 410,794,874 | 13,107,651 | - | 407,228,224 | 410,794,874 |
| Capital works in progress | 401,222 | 302,668 | - | - | 401,222 | 302,668 |
| Plant, equipment and vehicles at fair value | | | | | | |
| - Market equipment | 718,576 | 664,433 | 598,800 | 531,504 | 119,776 | 132,929 |
| - Motor vehicles | 440,019 | 402,349 | 207,885 | 211,416 | 232,134 | 190,933 |
| - Computer equipment | 878,431 | 819,067 | 652,410 | 497,389 | 226,021 | 321,678 |
| - Office plant and equipment | 88,732 | 81,195 | 57,339 | 50,504 | 31,393 | 30,691 |
| Net carrying amount | 494,362,855 | 484,564,586 | 14,624,085 | 1,290,813 | 479,738,770 | 483,273,773 |

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 reflects 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 current replacement cost method is used, adjusting for the associated depreciation.

Vehicles are valued using the current 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 current replacement cost method.

Refer to Note 7.3 for additional information on fair value determination of property, plant and 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 *Impairment of Assets* does not apply to such assets that are regularly revalued.

4.1.1 DEPRECIATION AND AMORTISATION

| Charge for the period | | (\$ dollars) | |
|--|-------|-------------------|-------------------|
| | Notes | 2020 | 2019 |
| Buildings | | 13,107,651 | 12,226,641 |
| Market equipment | | 67,296 | 74,336 |
| Motor vehicles | | 41,469 | 32,030 |
| Computer equipment | | 155,021 | 145,052 |
| Office plant and equipment | | 10,978 | 9,926 |
| Computer software | 4.2 | 489,771 | 77,324 |
| Total depreciation and amortisation | | 13,872,186 | 12,565,309 |

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, 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 | Useful Life (years) |
|--|------------------------|
| 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.

Indefinite life asset: Land, which is considered to have an indefinite life, is not depreciated. Depreciation is not recognised in respect of this asset because the service potential has not, in any material sense, been consumed during the reporting period.

4.1.2 CARRYING VALUES BY 'PURPOSE' GROUP^(a)

| | (\$ dollars) | |
|-------------------------------|--------------------------------------|--------------------|
| | <i>Public safety and environment</i> | |
| | <i>Net carrying amount</i> | |
| | 2020 | 2019 |
| Land at fair value | 71,500,000 | 71,500,000 |
| Buildings at fair value | 407,228,224 | 410,794,874 |
| Capital works in progress | 401,222 | 302,668 |
| Plant, equipment and vehicles | | |
| - Market equipment | 119,776 | 132,929 |
| - Motor vehicles | 232,134 | 190,933 |
| - Computer equipment | 226,021 | 321,678 |
| - Office plant and equipment | 31,393 | 30,691 |
| Net carrying amount | 479,738,770 | 483,273,773 |

Note:

Property, plant and equipment are classified primarily by the 'purpose' for which the assets are used, according to one of six purpose groups based upon government purpose classification. All assets in a purpose group are further sub-categorised according to the asset's 'nature' (e.g. buildings, plant), with each sub-category being classified as a separate class of asset for financial reporting purposes.

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

| | (\$ dollars) | | | | | | | | | | | | | | | |
|------------------------|-------------------|-------------------|--------------------|--------------------|----------------|----------------|----------------|----------------|-----------------|----------------|-----------------------|---------------|-------------------|----------------|--------------------|--------------------|
| | Freehold Land | | Buildings | | Market Equip. | | Motor Vehicles | | Computer Equip. | | Office Plant & Equip. | | Works In Progress | | Total | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Opening balance | 71,500,000 | 71,500,000 | 410,794,874 | 383,296,518 | 132,929 | 169,891 | 190,933 | 121,086 | 321,678 | 258,376 | 30,691 | 21,119 | 302,668 | 115,669 | 483,273,773 | 455,482,659 |
| Additions | - | - | 9,538,661 | 1,263,010 | 54,143 | 37,374 | 82,670 | 191,574 | 59,364 | 208,439 | 11,680 | 19,498 | - | 186,999 | 9,746,518 | 1,906,894 |
| Disposals | - | - | - | - | - | - | - | (89,697) | - | (85) | - | - | - | - | - | (89,782) |
| Work in progress | - | - | - | - | - | - | - | - | - | - | - | - | 98,554 | - | 98,554 | - |
| Revaluation of PPE | - | - | - | 38,461,987 | - | - | - | - | - | - | - | - | - | - | - | 38,461,987 |
| Impairment of assets | - | - | 2,340 | - | - | - | - | - | - | - | - | - | - | - | 2,340 | - |
| Depreciation | - | - | (13,107,651) | (12,226,641) | (67,296) | (74,336) | (41,469) | (32,030) | (155,021) | (145,052) | (10,978) | (9,926) | - | - | (13,382,415) | (12,487,985) |
| Closing balance | 71,500,000 | 71,500,000 | 407,228,224 | 410,794,874 | 119,776 | 132,929 | 232,134 | 190,933 | 226,021 | 321,678 | 31,393 | 30,691 | 401,222 | 302,668 | 479,738,770 | 483,273,773 |

Note:

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

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. Note 1 discloses the uncertainty created by COVID-19 pandemic on the VGV indices and the significant judgement made by the MMA in estimating the fair value of land and buildings. The next scheduled full revaluation for this purpose group will be conducted in 2021.

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4.2 INTANGIBLE ASSETS

| | (\$ dollars) | |
|--|--------------------|------------------|
| | Computer software | |
| | 2020 | 2019 |
| Gross carrying amount | | |
| Opening balance | 1,239,090 | 870,245 |
| Additions | 1,619,227 | 12,134 |
| Additions under development | 45,394 | 380,284 |
| Disposals | - | (23,573) |
| Closing balance | 2,903,711 | 1,239,090 |
| Accumulated depreciation, amortisation and impairment | | |
| Opening balance | (779,844) | (726,093) |
| Amortisation expense | (489,771) | (77,324) |
| Disposals | - | 23,573 |
| Closing balance | (1,269,615) | (779,844) |
| Net book value at end of financial year | 1,634,096 | 459,246 |

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.

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 three and five 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.

Impairment of intangible assets

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

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4.3 INVESTMENTS AND OTHER FINANCIAL ASSETS

| | (\$ dollars) | |
|---|--------------|-------------------|
| | 2020 | 2019 |
| Current investments and other financial assets | | |
| Term deposits | | |
| Australian dollar term deposits > three months | - | 25,000,000 |
| Total current investments and other financial assets | - | 25,000,000 |
| Total investments and other financial assets | - | 25,000,000 |

Note:

Term Deposits under 'investments and other financial assets' class include only term deposits with maturity greater than 90 days, COVID-19 pandemic has caused overall economic uncertainty in the reduction in term deposit rates with maturity greater than 90 days being less than short term interest rates. Consequently, at 30 June 2020, \$18 million of cash was invested in at call deposits that has a term of less than 90 days.

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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) | |
|--|------------------|------------------|
| | 2020 | 2019 |
| Contractual | | |
| Rental revenue | 2,708,647 | 1,284,007 |
| Provision for doubtful contractual receivables | (428,448) | (131,594) |
| Accrued investment income | 3,122 | 155,682 |
| Statutory | | |
| Amount owing from Victorian Government | 46,762 | - |
| GST input tax credit recoverable | 381,375 | - |
| Total receivables | 2,711,458 | 1,308,095 |
| <i>Represented by</i> | | |
| Current receivables | 2,670,974 | 1,246,946 |
| Non-current receivables | 40,484 | 61,149 |

Contractual receivables are classified as financial instruments and categorised as 'financial assets at amortised costs'. They are initially recognised at fair value plus any directly attributable transaction costs. The MMA holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequent 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. The MMA applies AASB 9 for initial measurement of the statutory receivables and, as a result, statutory receivables are initially recognised at fair value plus any directly attributable transaction cost. 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)

| | 2020 | 2019 |
|-----------------------------------|------------------|------------------|
| Contractual | | |
| Supplies and services | 3,112,319 | 2,864,184 |
| Interest payable | 177,933 | 184,911 |
| Tenant bonds and retention monies | 225,972 | 270,404 |
| Rentals in advance | 1,437,416 | 2,098,814 |
| Statutory | | |
| FBT payable | 18,500 | 14,086 |
| GST payable | - | 18,947 |
| Other taxes payable | 356,044 | 1,624,426 |
| Total current payables | 5,328,184 | 7,075,772 |
| <i>Represented by:</i> | | |
| Current payables | 4,980,081 | 6,805,368 |
| Non-current payables | 348,103 | 270,404 |

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 MMA 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 had an average credit period of 30 days, which has been reduced to 10 days per the \$1.7 billion *Economic and Survival Package to Support Small Businesses and Jobs* announced on the 20th of March in response to COVID-19 Pandemic.

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 |
| 2020 | | | | | | |
| Supplies and services | 3,112,319 | 3,112,319 | 3,112,319 | - | - | - |
| Tenant bonds and retention monies | 225,972 | 225,972 | - | - | - | 225,972 |
| Other payables | 177,933 | 177,933 | - | 177,933 | - | - |
| Total | 3,516,224 | 3,516,224 | 3,112,319 | 177,933 | - | 225,972 |
| 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 |

Note:

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

MELBOURNE MARKET AUTHORITY

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) | |
|-------------------------------------|-------------------|-------------------|
| | 2020 | 2019 |
| 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 | 19,000,000 | 20,000,000 |
| Total non-current borrowings | 19,000,000 | 20,000,000 |
| Total borrowings | 20,000,000 | 21,000,000 |

'Borrowings' refer to interest bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria (TCV).

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 MMA 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 MMA 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 |
| 2020 | | | | | | | |
| Loans from TCV | 20,000,000 | 20,000,000 | - | 500,000 | 500,000 | 4,000,000 | 15,000,000 |
| Total | 20,000,000 | 20,000,000 | - | 500,000 | 500,000 | 4,000,000 | 15,000,000 |
| 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 |

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6.1 BORROWINGS (CONTINUED)

| Interest expense | (\$ dollars) | |
|-------------------------------|------------------|------------------|
| | 2020 | 2019 |
| Interest on government loans | 863,764 | 898,921 |
| Accommodation Levy | 232,821 | 230,358 |
| Total interest expense | 1,096,585 | 1,129,279 |

'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 and accommodation levy.

Interest expense is recognised in the period in which it is incurred.

The MMA 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) | |
|--|-------------------|------------------|
| | 2020 | 2019 |
| Total cash and deposits disclosed in the balance sheet | 2,855,093 | 9,948,299 |
| Total 11am TCV Deposit | 18,000,000 | - |
| Balance as per cash flow statement | 20,855,093 | 9,948,299 |

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

| | (\$ dollars) | |
|---|---------------------|--------------------|
| | 2020 | 2019 |
| Net result for the period | (12,431,309) | (8,507,287) |
| Non-cash movements | | |
| (Gain)/loss on sale or disposal of non-current assets | (3,025) | 5,570 |
| Depreciation and amortisation of non-current assets | 13,872,186 | 12,565,309 |
| Movements in assets and liabilities | | |
| (Increase)/decrease in receivables | (1,403,363) | 125,243 |
| (Increase)/decrease in prepayments | (32,556) | (176,197) |
| (Decrease)/increase in provisions | 161,457 | 114,498 |
| (Decrease)/increase in payables | (1,747,588) | 1,022,848 |
| Net cash flows from operating activities | (1,584,198) | 5,149,984 |

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6.2.2 Non-cash financing and investing activities

| Financing facilities | (\$ dollars) | |
|---|-------------------|-------------------|
| | 2020 | 2019 |
| Unsecured loan facilities with various maturity dates through to 2040 | | |
| Amount used | 20,000,000 | 21,000,000 |
| Amount unused | 7,000,000 | 7,000,000 |
| Total | 27,000,000 | 28,000,000 |

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

| Nominal amounts 2020 | (\$ dollars) | | | | Total |
|---|---------------------|-------------------|-------------|--|-------------------|
| | Less than 1 year | 1-5 years | 5+ years | | |
| Operational expenditure commitments payable | 5,014,799 | 11,174,197 | - | | 16,188,996 |
| Total commitments (inclusive of GST) | 5,014,799 | 11,174,197 | - | | 16,188,996 |
| Less GST recoverable | (455,891) | (1,015,836) | - | | (1,471,727) |
| Total commitments (exclusive of GST) | 4,558,908 | 10,158,361 | - | | 14,717,269 |

| Nominal amounts 2019 | (\$ dollars) | | | | Total |
|---|---------------------|-------------------|-------------|--|-------------------|
| | Less than 1 year | 1-5 years | 5+ years | | |
| 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 |

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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*.

Categories of financial assets

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by the MMA to collect the contractual cash flows, and;
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

The MMA recognises the following assets in this category:

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

Categories of financial liabilities

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

- payables (excluding statutory payables); and
- borrowings.

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7.1.1 FINANCIAL INSTRUMENTS: CATEGORISATION

(\$ dollars)

| 2020 | Cash and deposits | Financial assets at amortised cost (AC) | Financial liabilities at amortised cost (AC) | Total |
|--|-------------------|---|--|-------------------|
| Contractual financial assets | | | | |
| Cash and deposits | 20,855,093 | - | - | 20,855,093 |
| Receivables (a) | | | | |
| Accrued investment income | - | 3,122 | - | 3,122 |
| Rental income | - | 2,280,199 | - | 2,280,199 |
| Total contractual financial assets | 20,855,093 | 2,283,321 | - | 23,138,414 |
| Contractual financial liabilities | | | | |
| Payables (a) | | | | |
| Supplies and services | - | - | 3,112,319 | 3,112,319 |
| Tenant bonds and retention monies | - | - | 225,972 | 225,972 |
| Other payables | - | - | 177,933 | 177,933 |
| Borrowings | | | | |
| Loans from TCV | - | - | 20,000,000 | 20,000,000 |
| Total contractual financial liabilities | - | - | 23,516,224 | 23,516,224 |

| 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 |

Note:

(a) The total amounts disclosed here exclude statutory amounts (e.g. 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)

| 2020 | Net holding gain/(loss) | Total interest income/(expense) | Fee income/(expense) | Impairment loss | Total |
|--|-------------------------|---------------------------------|----------------------|------------------|--------------------|
| Contractual financial assets | | | | | |
| Financial assets - at amortised cost | - | 267,132 | - | (382,763) | (115,631) |
| Total contractual financial assets | - | 267,132 | - | (382,763) | (115,631) |
| Contractual financial liabilities | | | | | |
| Financial liabilities at amortised cost | - | (1,096,585) | - | - | (1,096,585) |
| Total contractual financial liabilities | - | (1,096,585) | - | - | (1,096,585) |

| 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 | - | (1,129,279) | - | - | (1,129,279) |
| Total contractual financial liabilities | - | (1,129,279) | - | - | (1,129,279) |

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 financial assets at amortised cost, 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 Finance, Audit & Risk Management (FARM) 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 7.1 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 FARM committee of the 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.

Credit risk associated with the MMA's contractual financial assets is minimal because the MMA's policy is to obtain sufficient collateral, insurance bond or bank guarantee, where appropriate.

There has been no material change to MMA's credit risk profile in 2019-20.

Credit quality of financial assets ^(a) (\$ dollars)

| 2020 | Financial institutions (AA- credit rating) | Government Agencies (Triple-A 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 | 2,851,283 | 18,000,000 | 3,810 | 20,855,093 |
| Statutory receivables (with no impairment recognised) | - | 3,122 | - | 3,122 |
| Investments & other contractual financial assets - Contractual receivables | - | - | 2,280,199 | 2,280,199 |
| Total financial assets | 2,851,283 | 18,003,122 | 2,284,009 | 23,138,414 |

Credit quality of financial assets ^(a)

| 2019 | Financial institutions (AA- credit rating) | Government Agencies (Triple-A 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 | 5,142,422 | 4,800,000 | 5,877 | 9,948,299 |
| Statutory receivables (with no impairment recognised) | | 155,682 | - | 155,682 |
| Investments & other contractual financial assets - Term deposits and contractual receivables | - | 25,000,000 | 1,152,413 | 26,152,413 |
| Total financial assets | 5,142,422 | 29,955,682 | 1,158,290 | 36,256,394 |

Note:

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

Impairment of financial assets under AASB 9

MMA records the allowance for expected credit loss for the relevant financial instruments, applying 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 measured 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 cost

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

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

| 30-Jun-20 | Current | Less than 1 month | 1-3 months | 3 months - 1 years | 1-5 years | Total |
|--|---------|-------------------|--------------|--------------------|-----------|----------------|
| Expected loss rate | 0% | 2% | 3% | 40% | 0% | |
| Gross carrying amount of contractual receivables | 947,200 | 420,607 | 60,859 | 1,056,199 | - | 2,484,865 |
| Loss allowance | - | 8,412 | 1,825 | 418,211 | - | 428,448 |

| 1-Jul-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 movement in the loss allowance for contractual receivables is shown as follows:

| | 2020 | 2019 |
|---|------------------|------------------|
| Balance at beginning of the year | (131,594) | (345,781) |
| Increase in provision recognised in the net result | (428,448) | (131,594) |
| Reversal of provision of receivables written off during the year as uncollectable | 40,487 | 113,816 |
| Reversal of unused provision recognised in the net result | 91,107 | 231,965 |
| Balance at end of the year | (428,448) | (131,594) |

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 estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. Bad debts are considered as written off by mutual consent.

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Statutory receivables and debt investments at amortised cost

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 of expected losses. No loss allowance has been recognised.

Financial instruments: Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. The MMA operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution. This has been reduced to 10 days per the *\$1.7 billion Economic and Survival Package to Support Small Businesses and Jobs* announced on the 4th of June in response to Covid-19 Pandemic.

The MMA is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet. The 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 maturity planning of its financial obligations based on forecasts of 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 also has access to a \$7million 11am loan draw down facility with TCV which may be drawn at anytime with a floating interest rate equal to the Reserve Bank of Australia cash rate. The facility remains undrawn as at 30 June 2020 and expires in 30 June 2040.

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

Financial Instruments: Market risk

The MMA's exposure to market risk, is primarily through interest rate risk. Objectives, policies and processes used to manage this risk is 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. The MMA does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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)

| 2020 | Weighted average interest rate % | Carrying amount | Fixed interest rate | Variable interest rate | Non-interest bearing |
|-------------------------------------|----------------------------------|-------------------|---------------------|------------------------|----------------------|
| Financial Assets | | | | | |
| Cash and deposits | 0.48% | 20,855,093 | - | 20,851,283 | 3,810 |
| Receivables (a) | | | | | |
| - Accrued investment income | | 3,122 | - | - | 3,122 |
| - Rental income | | 2,280,199 | - | - | 2,280,199 |
| Total financial assets | | 23,138,414 | - | 20,851,283 | 2,287,131 |
| Financial Liabilities | | | | | |
| Payables (a) | | | | | |
| - Borrowings | 4.22% | 20,000,000 | 20,000,000 | - | - |
| - Supplies and services | | 3,112,319 | - | - | 3,112,319 |
| - Tenant bonds and retention monies | | 225,972 | - | - | 225,972 |
| - Other payables | | 177,933 | - | - | 177,933 |
| Total financial liabilities | | 23,516,224 | 20,000,000 | - | 3,516,224 |

(\$ 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 |

Note:

(a) The carrying amounts disclosed here exclude statutory amounts (e.g. 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 (continued)

Interest rate risk sensitivity

(\$ dollars)

| 2020 | Carrying amount | -50 basis points | +50 basis points |
|-------------------------------------|-----------------|-------------------|-------------------|
| | | Net result | Net result |
| Contractual financial assets | | | |
| Cash and deposits | 20,851,283 | (104,256) | 104,256 |
| Total impact | | (104,256) | 104,256 |
| <hr/> | | | |
| 2019 | | -100 basis points | +100 basis points |
| Contractual financial assets | | | |
| Cash and deposits | 5,142,422 | (25,712) | 25,712 |
| Total impact | | (25,712) | 25,712 |

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

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 uncertain future events not wholly within the control of the MMA. These are classified as either quantifiable, where potential economic benefit is known, or non-quantifiable.

As highlighted in the 2019 accounts, MMA had not received its land tax notice(s) of assessment ("assessment notice") since occupying the Epping Site dating back to 2015 from the State Revenue Office and was accruing a non-recoverable portion of land tax which MMA would be liable for based on management's best estimate, totalling approximately \$1.5 million. MMA also disclosed that it has a contingent asset in respect of the recoverable proportion of the land tax as at 30 June 2019.

During the year, MMA received confirmation that the State Revenue Office had waived its land tax payable obligations (for the non-recoverable and recoverable portions) for the assessment notice period 2015 to 2019 inclusive. The contingent asset is therefore no longer applicable for the year ended 30 June 2020, while the non-recoverable proportion of \$1.5 million was written back.

Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
 - the amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

7.2 CONTINGENT ASSETS AND CONTINGENT LIABILITIES (CONTINUED)

Contingent liabilities (continued)

Non-quantifiable contingent liabilities

A number of potential obligations are non-quantifiable at this time arising from:

- indemnities provided in relation to transactions, including financial arrangements and consultancy services, as well as for directors and administrators
- performance guarantees, warranties, letters of comfort and the like;
- deeds in respect of certain obligations; and
- unclaimed monies, which may be subject to future claims by the general public against the State.

The MMA did not have contingent liabilities as at 30 June 2020 (2019: nil).

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:

- land, buildings, infrastructure, plant and equipment.

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

Fair value hierarchy

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

- 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 subsequent to initial recognition.

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7.3.1 FAIR VALUE DETERMINATION: NON-FINANCIAL PHYSICAL ASSETS

Fair Value measurement hierarchy

(\$ dollars)

| 2020 | Carrying amount as at 30 June 2020 | 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 | 407,228,224 | - | - | 407,228,224 |
| Total of buildings at fair value | 407,228,224 | - | - | 407,228,224 |
| Plant, equipment and vehicles at fair value | | | | |
| Vehicles ^(b) | 232,134 | - | - | 232,134 |
| Plant and equipment | 377,190 | - | - | 377,190 |
| Total of plant, equipment and vehicles at fair value | 609,324 | - | - | 609,324 |

| 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 |

Notes:

(a) Classified in accordance with the fair value hierarchy

(b) Vehicles are categorised to Level 3 assets as the depreciated replacement cost is used in estimating the fair value
There have been no transfers between levels 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.

Note 1 discloses the uncertainty created by COVID-19 pandemic on the VGV indices and the significant judgement made by the MMA in estimating the fair value of land and buildings.

Specialised land: An independent valuation of MMA's land was performed by the VGV 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.

A fair value assessment was conducted using the Valuer-General Victoria (VGV) land indices for the year ended 30 June 2020. 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 current 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 2020. Changes were immaterial and therefore no revaluation was made. Note 1 discloses the uncertainty created by COVID-19 pandemic on the VGV indices and the significant judgement made by the MMA in estimating the fair value of land and buildings.

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 2020.

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) |
|--|-------------------|-----------------------|----------------|---------------------|--------------|
| <i>2020</i> | Specialised Land | Specialised Buildings | Vehicles | Plant and equipment | |
| Opening Balance | 71,500,000 | 410,794,874 | 190,933 | 485,298 | |
| Purchases (sales) | - | 9,538,661 | 82,670 | 125,187 | |
| Disposals | - | - | - | - | |
| Depreciation | - | (13,107,651) | (41,469) | (233,295) | |
| Subtotal | - | (3,568,990) | 41,201 | (108,108) | |
| Closing balance | 71,500,000 | 407,225,884 | 232,134 | 377,190 | |

| <i>2019</i> | 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 | 35,912 | |
| Revaluations | - | 38,461,987 | - | - | |
| Subtotal | - | 38,461,987 | - | - | |
| Closing balance | 71,500,000 | 410,794,874 | 190,933 | 485,298 | |

Description of significant unobservable inputs to Level 3 valuations

| <i>2020 and 2019</i> | Valuation Technique | Significant unobservable inputs |
|----------------------|---|--|
| Buildings - Epping | Cost approach current replacement cost | Direct cost per square metre Useful life of buildings |
| Land | Market approach | Community Service Obligation (CSO) adjustment |
| Vehicles | Current replacement cost | Useful life of vehicles |
| Plant and equipment | Current replacement cost | Useful life of plant and equipment |

Significant unobservable inputs have remained unchanged since 30 June 2019.

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8. OTHER DISCLOSURES

Introduction

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

Structure

- 8.1 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) | |
|--|--------------------|--------------------|
| | 2020 | 2019 |
| Physical asset revaluation surplus ^(a) | | |
| Balance at beginning of financial year | 136,329,721 | 97,867,734 |
| Revaluation increments | - | 38,461,987 |
| Balance at end of financial year | 136,329,721 | 136,329,721 |

Note:

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

8.2 CHANGE IN ACCOUNTING POLICIES

8.2.1 LEASES

This note explains the impact of the adoption of AASB 16 *Leases* on the MMA's financial statements.

The MMA has applied AASB 16 with a date of initial application of 1 July 2019.

On transition to AASB 16, the MMA has elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB 16 was applied to contracts entered into or changed on or after 1 July 2019.

Following the adoption of this standard, there was no adjustment required to be made, as the MMA had no long term lease agreements in existence at 30 June 2019.

Leases as a Lessor

The MMA is not required to make any adjustment on transition to AASB 16 for leases in which it acts as a lessor. The MMA accounted for its leases in accordance with AASB 16 from the date of initial application.

8.2 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

8.2.2 REVENUE FROM CONTRACTS WITH CUSTOMERS

In accordance with FRD 121 requirements, the MMA has applied the transitional provisions of AASB 15 *Revenue from contracts with customers*, under modified retrospective method with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, the MMA applied this standard retrospectively only to contracts that are not 'completed contracts' at the date of initial application.

Note 2.2.2 Sales of goods and services includes details about the transitional application of AASB 15 and how the standard has been applied to revenue transactions.

Following the adoption of this standard, there was no adjustments required to be made as:

- The majority of the MMA revenue and income is base rental income derived from lease agreements with tenants. These agreements are outside the scope of AASB 15 and recognised under AASB 16 *Leases*; and
- The MMA accounting policies for the recognition of Parking, Interest Receivable and other income derived is similar to the revenue recognition requirements under AASB 15, hence no adjustment to opening retained earnings is required.

8.2.3 Income of Not-for-Profit Entities

In accordance with FRD 122 requirements, the MMA has applied the transitional provision of AASB 1058 *Income of Not-for-Profit Entities*, under modified retrospective method with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, the MMA applied this standard retrospectively only to contracts and transactions that are not completed contracts at the date of initial application. Following the adoption of this standard, there was no adjustment required to be made as the MMA had no income for not-for-profit agreements in existence at 30 June 2019.

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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 | Ms Jaclyn Symes | 01-Jul-2019 to 30-Jun-2020 |
| Board Chairperson | Mr P Tuohy | 01-Jul-2019 to 30-Jun-2020 |
| Board Member | Ms G Marven ^(a) | 01-Jul-2019 to 30-Jun-2020 |
| Board Member | Ms S Friend | 01-Jul-2019 to 30-Jun-2020 |
| Board Member | Ms J Carboon | 01-Jul-2019 to 30-Jun-2020 |
| Board Member | Mr D Beatty | 01-Jul-2019 to 30-Jun-2020 |
| Chief Executive Officer | Mr M Maskiell | 01-Jul-2019 to 30-Jun-2020 |

^(a) Ms G Marven resigned 30 June 2020

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: \$370,000 - \$379,000 (\$360,000 - \$369,000 in 2018-19).

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

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

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

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

| | (\$ dollars) | |
|--|-----------------------------------|-----------------------------------|
| <i>Remuneration of executive officers (including executives defined as Key Management Personnel (KMP) disclosed in Note 8.5)</i> | <i>Total Remuneration</i> 2020 | <i>Total Remuneration</i> 2019 |
| Short-term employee benefits | 754,680 | 775,722 |
| Post employment benefits | 69,825 | 71,350 |
| Other long-term benefits | - | - |
| Total remuneration (a) | 824,505 | 847,072 |
| Total number of executives | 5 | 5 |
| Total annualised employee equivalents (b) | 4 | 3.82 |

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.

(2020) There was one executive who resigned effective 31 January 2020, the vacancy was filled on 30 March 2020 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 of 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 Harry Battal | Chief Financial Officer |
| 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: * Kathryn Buhagiar resigned 31/01/2020

Note:** Gisela Marven resigned 30/06/2020

Remuneration of key management personnel

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report.

| Compensation of KMP's | 2020 | 2019 |
|---|------------------|------------------|
| Short-term employee benefits ^(a) | 1,226,437 | 1,236,763 |
| Post-employment benefits | 108,624 | 113,682 |
| Other long-term benefits | 13,276 | 12,311 |
| Total^(b) | 1,348,337 | 1,362,756 |

Note:

(a) This includes remuneration of KMP's for MMA

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

Notes:

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

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

MELBOURNE MARKET AUTHORITY

8.5 RELATED PARTIES (CONTINUED)

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 Purchasing Board requirements.

Outside of normal citizen type transactions with the 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.

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 \$13,588 (2019: \$16,000).

As highlighted in the 2019 accounts, MMA had not received its land tax notice(s) of assessment ("assessment notice") since occupying the Epping Site dating back to 2015 from the State Revenue Office and was accruing a non-recoverable portion of land tax which MMA would be liable for based on management's best estimate, totalling approximately \$1.5 million. MMA also disclosed that it has a contingent asset in respect of the recoverable proportion of the land tax as at 30 June 2019.

During the year, MMA received confirmation that the State Revenue Office had waived its land tax payable obligations (for the non-recoverable and recoverable portions) for the assessment notice period 2015 to 2019 inclusive. The contingent asset is therefore no longer applicable for the year ended 30 June 2020, while the non-recoverable proportion of \$1.5 million was written back.

MMA had both loans and deposits with Treasury Corporation of Victoria (TCV) during the year. MMA paid interest and a Financial Accommodation Levy to TCV on loans with an aggregated value of \$1,096,585 (2019: \$1,129,279). TCV paid interest on deposits to MMA with an aggregated value of \$267,018 (2019: \$578,049).

8.6 REMUNERATION OF AUDITORS

| | (\$ dollars) | |
|---|---------------|---------------|
| | 2020 | 2019 |
| Victorian Auditor-General's Office | | |
| Audit of financial statements | 55,000 | 58,000 |
| Total remuneration of auditors | 55,000 | 58,000 |

8.7 SUBSEQUENT EVENTS

At the date these Financial Statements are authorised for issue, no further adjustments in respect of the impact of COVID-19 pandemic have been made. However, the COVID-19 situation continues to evolve. On the 2 August 2020 the Victorian Government announced Stage 4 restrictions for the Melbourne metropolitan area and Stage 3 restrictions for regional Victoria. Stage 4 restrictions result in the closure of most retail stores with limited exceptions including food and green grocery stores, supermarkets, liquor stores and pharmacies. The full consequences on the MMA's future financial performance and the value of the MMA land and buildings continues to be uncertain.

Since the end of the year, the MMA is not aware of any other matter or circumstances not otherwise disclosed with in this report of the Financial Statements that has significantly affected or may significantly affect the operations of the MMA, the results of those operations or the state of affairs of the MMA in future financial periods.

8.8 OTHER ACCOUNTING POLICIES

Contribution by owners

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

Certain new and revised accounting standards have been issued but are not effective for the 2019/20 reporting period. These accounting standards are not required to be assessed by the MMA at reporting, have not been assessed for its impact and have not been applied. These accounting standards include:

- AASB 2018-7 *Amendments to Australian Accounting Standards - Definition of Material; and*
- AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current*

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

8.10 GLOSSARY OF TECHNICAL TERMS (CONTINUED)

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

Financial asset is any asset that is:

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

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

Financial liability is any liability that is:

- (a) a 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 comprises:

- (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.

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8.10 GLOSSARY OF TECHNICAL TERMS (CONTINUED)

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, amortisation of discounts or premiums in relation to borrowings, and accommodation levy.

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

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

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

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

Other economic flows included in 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 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; 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 and certain intangible assets. Intangible produced assets may include computer software 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 buildings, 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

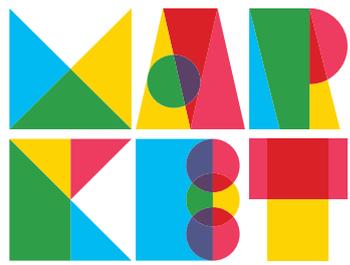
Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts

The notation used in the tables is as follows:

- .. zero, or rounded to zero
- (xxx) negative numbers
- 202x year
- 202x 0x year periods

The financial statements and notes are presented based on the illustration for a government department in the *2019-20 Model Report for Victorian Government Departments*. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the MMA's annual reports.

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**Melbourne
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Printing: Finsbury Green.

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