Melbourne Market Authority

Annual Report 2017 – 2018

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

Dear Minister,

The Melbourne Market Authority (MMA) has pleasure in submitting its Annual Report for the year ending 30 June 2018.

This report covers the period 1 July 2017 to 30 June 2018. 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
Chairperson

CONTENTS

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 2018.

Mark Maskiell
Chief Executive Officer
Melbourne Market Authority
30 August 2018

SECTION 1: YEAR IN REVIEW

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

Our vision

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

Our mission

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

Our values

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

- 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.

Our objectives under the Act

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

CHAIRPERSON'S AND CEO REPORT

After years of planning and preparation, the Melbourne Market completed a once in a generation move to a new facility in August 2015. A change of this significance required a period of adjustment and settling in to the new facility. This has been the primary focus of the MMA since the relocation. While 'business as usual' operations will always be paramount, in 2017/18 the Board and Management of the MMA adopted a new three-year Corporate Plan to reflect the opportunities and challenges for the fresh produce industry in a very dynamic environment. With the major supermarkets able to exploit consumer demand for convenience and perceived low prices, independent greengrocers and florists are required to find opportunities to remain competitive while confronting the rising costs of doing business.

The Corporate Plan also reflects the focus of the Victorian Food and Fibre Sector Strategy (March 2016) and the priorities of the Agriculture Victoria Strategy (May 2017). During this first year of the new Corporate Plan, much progress has been made in some areas, while in other areas the ground work has been done to enable more tangible outcomes to be achieved in subsequent years.

During October 2017, the MMA hosted the World Union of Wholesale Markets (WUWM) Congress at the Melbourne Exhibition and Convention Centre. The Congress showcased our world class facility, and attracted over 200 local and international delegates from approximately 30 markets and 22 countries. The feedback received from delegates and WUWM at the Congress was extremely positive, particularly the seamless event management and insightful presentations on global trends and technology.

In 2017/18, the MMA has undertaken numerous significant capital works projects to improve the operating environment. These include the expansion of the CCTV network to enable produce movements to be appropriately, effectively and efficiently tracked from start to finish. The installation of approximately 800 bollards on the Buyer's Walk and warehouses provides greater separation between electric vehicles and pedestrians to improve safety. 4,250 light globes have been upgraded to LED, reducing electricity consumption by 42% while providing higher lux levels, also winning the Facilities Management award for workspace innovation. This project contributes to tackling the ongoing challenge of rising energy costs and assists in the Market remaining an affordable place of business.

Electricity costs to the MMA have increased by 200% since the Market opened (excluding network charges). After holding the price of glycol for cooling static since the Market opened, the MMA has had to regrettably pass some of this cost on to users, coming into effect on 1 July 2018 for glycol.

Significant planning has been undertaken during 2017/18 to enable major projects to proceed in 2018/19 including a diesel filling station, construction of warehouse building 7 and a digital transformation strategy.

The MMA has led the Central Market Association of Australia's involvement with Fresh Markets Australia on the development of the national independent retailers' marketing program to be known as "A Better Choice", launching to consumers early 2018/19. This is the outcome of a long journey of collaboration between Australia's central markets and their respective chambers of commerce, resulting in a greater share of voice for independent retailers to influence consumer purchasing decisions and realise economies of scale. This complements the initiatives the MMA has run for a number of years to assist florists.

In collaboration with Melbourne Polytechnic, the MMA developed and launched a Certificate II and Certificate III in Greengrocery in February 2018. A steering committee of Melbourne's best retailers oversaw the development of the course content to ensure its relevance to the industry, closing a significant training gap.

The school holiday program enabling children of the Market community to experience the sights and sounds of life in the Market has again proved popular. This important initiative enables the next generation to have exposure and gain an understanding of the Market environment and its role in the fresh produce supply chain. This initiative complements the Market Fresh Schools Program delivered to over 10,000 students across Melbourne to increase fruit and vegetable consumption. The program involves tasting fresh produce from the Market, the importance of a healthy diet and an appreciation of the fresh produce supply chain.

The MMA would like to thank our outgoing Board member, Robyn Stewart, for her contribution and service to the Market and the organisation. The Minister for Agriculture announced the appointment of David Beatty to the MMA Board during March 2018 for a three-year term. During 2017/18 the Board has undertaken several farm visits within Victoria to hear first-hand the challenges and opportunities for the fresh produce industry and the Market in that context.

The planning that has been undertaken in 2017/18 will assist in attracting more investment, develop onsite infrastructure, and improve the business operating environment in line with the Victorian Food and Fibre Sector Strategy and the Agriculture Victorian Strategy.

Mark Maskiell
Chief Executive Officer
Melbourne Market Authority

Peter Tuohey
Chairperson
Melbourne Market Authority

PURPOSE AND FUNCTIONS

The Melbourne Market, a wholesale institution, nearly as old as Victoria itself and 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 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 Agriculture Victoria Strategy's 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 MMA's strategic objectives, associated indicators and linked outputs as established in the 2017/18 Corporate Plan are shown in Table 1.

Table 1 – Agency objectives, indicators and linked outputs

Objectives	Indicators	Outputs
Continuously improve the operating environment	• Improved efficiency and functionality for Market users • Customer satisfaction	• Identify opportunities to add value for our clients • Improve the customer consultation process • Seek ways to reduce operating costs • Support market customers to build business skills and capability • Improve environmental sustainability • Improve safety on-site • Extend industry networks • Maintain ISO certification • Increase efficiency of MMA's interactions with clients • Effective internal governance
Maximise the utility of the trading floors	• Occupancy • Customer satisfaction	• Monitor trading hours policy to ensure optimisation of retail traffic • Attract more florists and flower buyers • Implement initiatives to increase greengrocer resilience • Increase the profile of the trading floors as a vital part of the supply chain
Drive logistical efficiency	• Understanding of the Market's broader role in logistics as a fresh produce hub	• Examine opportunities to improve product movement across the site • Built in-house capability in ICT
Diversify revenue streams	• New revenue opportunities	• Continually improve insights into client needs to identify relevant new services • Identify best use for the 8 hectares of vacant designated Market land • Engage with State Government to develop masterplan for the adjacent 51 hectares of Market expansion land
Support export growth	• Understanding of the services that would assist in facilitating export • Trade missions visiting the Market	• Build relationships to foster horticulture export development
Embrace digital change	• Opportunities identified • Digital strategy progress	• Identify opportunities to adopt digital technology to improve efficiency • Assist clients to respond to the opportunities and challenges associated with digital disruption

Objective 1: Continuously improve the operating environment

This objective involves continually seeking opportunities to improve the cost effectiveness, efficiency and safety of the Market for the MMA's clients.

The viability of the Market is dependent on having sustainable clients. Client profitability is under pressure from changing retail dynamics coupled with cost/price pressure arising from deflationary forces impacting selling prices and rising operating costs.

The perception of clients is that the cost of operating at Epping is higher, fueled 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 adapt to these highly dynamic industry forces and strives to maintain the Market as an affordable place of business.

After no price increases in the cost of glycol for cooling at the Melbourne Market since opening in August 2015, the MMA was required to pass on some of these price increases to users (coming into effect on 1 July 2018). Electricity is now charged at a 32% discount off the Victorian standard tariff rates.

LPG for forklifts is generally charged at a 10% discount relative to outside the Market.

To reduce power consumption on-site, 4,250 light fittings were upgraded to LED which provides an enhanced level lighting while saving 42% on electricity used for lighting. This project won the Workspace Innovation Category at the Facilities Management Awards in March 2018.

An additional forty-two 240 litre bins have been installed around the site, plus the installation of several one cubic metre bins on the trading floor, to reduce costs and increase convenience for clients to dispose of waste. Likewise, an additional 14 pine pallet collection stations have been installed for free deposit and reuse. Rescheduling of the recyclable products collection has also ensured they have maximum capacity during peak times. 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 these new initiatives and those already in place, the Market has achieved a recycling rate of 93%.

In response to stand holder feedback, the MMA has implemented a mechanical cleaning program of the trading floor at no cost to tenants.

To improve safety, over 800 bollards have been installed on the Buyers' Walk and within Warehouse Buildings 5 and 6 to create greater physical separation between pedestrians and motorised vehicles, without impacting on Market operations. The expansion of the CCTV network enables produce movements to be appropriately, effectively and efficiently tracked from start to finish.

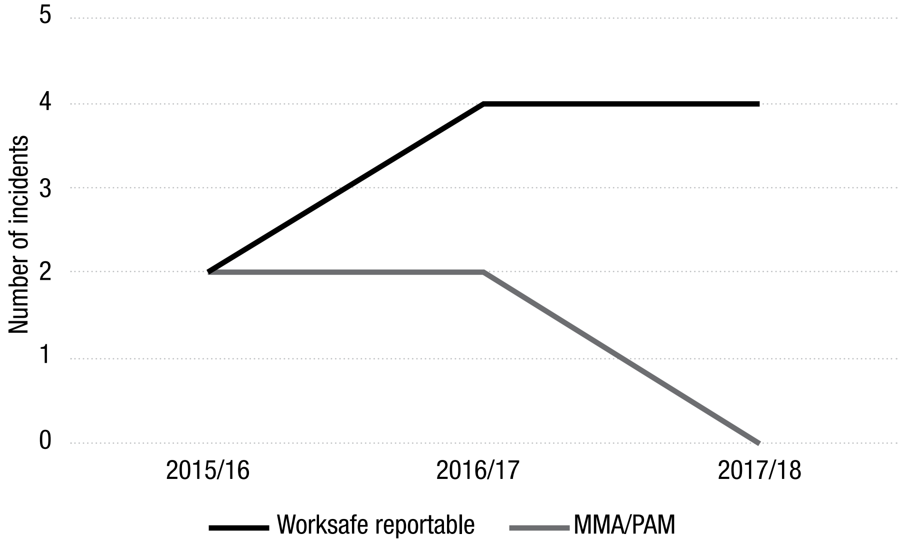
The rolling upgrade of rapid roller doors to hi-tech versions with in-built traffic management capability to improve safety has continued. Due to advancements in design and fabrication, when damaged, repair costs have reduced by 65% compared to the original models (infrastructure damage costs are passed onto the company of the responsible employee). Traffic safety measures on the outer ring road (Badalya Road) has enabled the speed limit to be increased from 20km/h to 40km/h, alleviating a Market user pain point.

Progress towards objective 1

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

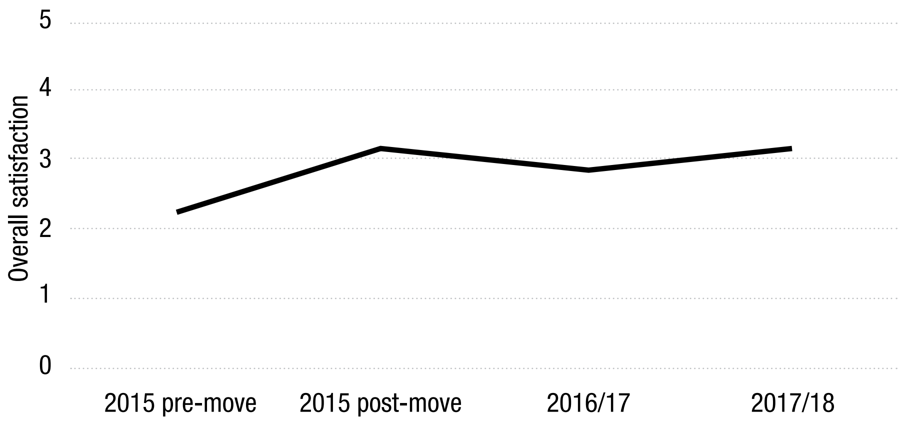
All incidents occurring on-site are recorded by type. The MMA strives for zero incidents for our staff, incorporating the staff employed by Plenary Group. This was achieved in 2017/18. Overall (including the 3,000 Market users onsite daily), Worksafe Reportable instances in 2017/18 was consistent with 2016/17 as shown in Figure 1.

Figure 1: Workplace incidents



The MMA's annual digital survey measures overall satisfaction of Market users. Results are presented in Figure 2 below.

Figure 2: customer satisfaction



Objective 2: Maximise the utility of the trading floors

The MMA is identifying and implementing opportunities to improve the vibrancy and functionality of the trading floors.

While visitation data does not support some traders' claims of reduced buyer traffic, trading patterns have changed both within the Market and more broadly. Major supermarkets dominate Australian retailing. The major supermarkets source most of their requirements direct from growers and wholesalers, not via central markets.

Wholesalers report that, since the move to Epping, much of their sales are now pre-orders, direct deliveries or via providores. The number of "true" growers that sell on the trading floors is in gradual decline. Florists are doing more of their buying through satellite wholesale outlets or direct from growers.

Emerging growers who are building businesses based around farmers markets will eventually need another outlet to grow their business and are an opportunity for the Market, which also ensures a supply of interesting, niche lines for independent retailers.

The MMA has actively engaged potential tenants for the Market to extend and diversify the product offer and services available within the Market. In the Flower Market alternative products are now available, which complement the key flower consumption marketing campaigns developed by the MMA in conjunction with Flowers Victoria.

To encourage more frequent visitation and vary the daily routine, a rolling program of seasonal events occurs in both the Flower and Fruit and Vegetable Markets, including Australia Day, Chinese New Year and Christmas.

During October 2017, the MMA hosted the World Union of Wholesale Markets (WUWM) Congress at the Melbourne Exhibition and Convention Centre. The Congress showcased our world class facility and attracted over 200 local and international delegates from approximately 30 markets and 22 countries. The feedback received from delegates and WUWM at the Congress was extremely positive, particularly the seamless event management and insightful presentations on global trends and technology.

Strengthening the resilience of greengrocers has been a key priority with the launch of the Certificate II and Certificate III in Greengocery, developed in conjunction with Melbourne Polytechnic and a steering committee comprising some of Melbourne's best greengrocers. This will be complemented with the implementation of a national marketing strategy, developed over the past 18 months as a collaboration between Australia's central markets and their respective chambers of commerce. The MMA has led the involvement of the central markets in the development of this strategy.

The MMA's engagement with the Market community identified potential changes in attitudes regarding trading hours. To ensure evidence based decision making, the MMA launched a consultation exercise to confirm if attitudes had changes since the last review 18 months prior. The outcome of the consultation exercise will be confirmed in early 2018/19.

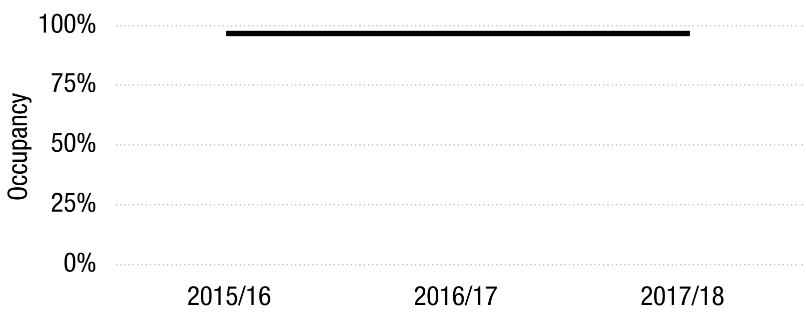
Progress towards objective 2

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

Refer Figure 2 for customer satisfaction results.

Demand remains constant for trading floor tenancies at the Melbourne Market as shown in Figure 3 below with overall occupancy at 97%.

Figure 3: total occupancy



The net number of buyers having access to the Market has increased year on year since transition to Epping as shown below, while the number of vehicles accessing the Market daily remained static in 2017/18.

Increase in registered flower buyers	2016-17	2017-18
	25.3%	16.1%

Increase in registered fruit & vegetable buyers	2016/17	2017/18
	12.0%	11.3%

Increase in daily vehicle access to the Market	2016/17	2017/18
	11.6%	0.2%

Objective 3: Drive logistical efficiency

Now that the Market operations and the Market community has adjusted to the Epping site, the focus of the MMA will increasingly turn to exploring ways to play a stronger role in the broader fresh food supply chain. Increasingly central markets have a significant role to play as logistical hubs.

This is reflected in the volume of product purchased by retailers as ‘pre-orders’, or delivered direct to retailers by vendors or providores. The usage of the site will continually evolve considering these trends and the MMA must determine how this is managed in the best interests of the Market and the fresh produce supply chain.

With the potential entry of new on-line players such as Amazon Fresh and the growth of other direct-to-consumer operators (e.g. Hello Fresh), it is inevitable that online home delivery will grow. This presents both an opportunity and a threat to the Market. The MMA must understand how the Market can take advantage of these opportunities rather than be marginalised.

Several projects to understand movement tracking and measuring were scoped during 2017/18 however when costed, the benefits did not warrant the investment at that point in time. Energies were subsequently directed towards understanding models employed by other markets within Australia and engaging directly with logistics operators to understand their priorities and how these relate to the Melbourne Market.

This work will intersect with the MMA’s digital strategy and understanding how the platforms of increasing importance in the logistics industry translate to the Market environment.

Progress towards objective 3

Indicator	Unit of measure	2017-18	2018-19	2019-20
Understanding of the Market’s broader role in logistics as a fresh produce hub	Corporate knowledge	✔		

Objective 4: Diversify revenue streams

The MMA is continuously seeking new revenue streams that sustain the financial viability of the Market and add value to our clients.

Like all businesses, the MMA faces strong cost increases, particularly with respect to electricity and general operating costs. There is a limit to how much the MMA can pass these costs on to its clients without undermining the profitability of their businesses and the threat of losing them as tenants.

The MMA identifies and secures new revenue sources that are complementary to the Market and add value to Market users. This involves identifying the best uses of the vacant land and other services that can be delivered within the existing infrastructure.

During 2017/18, the MMA focused on three key new revenue generating opportunities being the establishment of a phytosanitary treatment facility by Steritech, subdivision and subsequent occupancy of the Administration Building and an unmanned diesel filling station.

After protracted negotiations with Steritech to develop the phytosanitary treatment facility at the Melbourne Market, Steritech decided to pursue a location elsewhere as they decided that freehold property was their key investment criteria.

The lead time in developing new revenue streams was a significant factor in 2017/18 not meeting target following Steritech’s decision. Achieving full occupancy in the Administration Building and executing the lease for an unmanned diesel filling station with United Petroleum late in the year assisted in off-setting this, however there was still a shortfall of 12% against target.

Progressing the 2017/18 initiatives in collaboration with the Department of Economic Development, Jobs, Transport and Resources has resulted in the establishment of processes which will be invaluable for pursuing future projects.

During 2017/18 the MMA secured sufficient demand based on indicative rent for Warehouse Building 7 to warrant going to tender for construction. Following confirmation of the construction cost and subsequent rent, the MMA will be able to execute agreements for lease to determine actual demand in 2018/19.

Concept design work was completed for the remaining developable land within the Market and several interested parties are at various stages of due diligence.

The MMA is continuing its advocacy for the development of the 50 hectares of expansion land adjacent to the Market to create a food hub of international significance. This opportunity creates opportunities for the existing Market community, generates an immediate financial return and has an economic multiplier effect for the State.

Progress towards objective 4

Indicator	Unit of measure	2017-18	2018-19	2019-20
New revenue opportunities	$	■		

Objective 5: Support export growth

Horticultural exports are growing strongly due to the increasing demand from affluent middle-class consumers in Asia and the Middle East. Australia's reputation for safe, quality food, our proximity and access to these markets, and a more favourable exchange rate will support export growth.

The Market is well located for exports with good accessibility to Melbourne's air and sea ports, creating the opportunity for the MMA to establish itself as an export 'center of excellence' that provides services relevant for export.

The Melbourne Market is an ideal venue to host in-bound 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 Economic Development, Jobs, Transport and Resources for inbound trade missions and the work of other industry bodies including AusVeg, Australian Horticultural Exporters' and Importers' Association and Horticulture Innovation Australia. Three international delegations were hosted (excluding the World Union of Wholesale Markets delegates), comprising of approximately 40 delegates. The MMA also issues an annual licence to an operator of Market tours to service the needs of industry participants seeking both highly personalized and generic Market experiences. Approximately 14 individuals utilized this service for export/import related insights.

Securing the forecast $10m phytosanitary treatment facility at the Melbourne Market was a key initiative in the short term to support export growth. Whilst Steritech chose to locate the phytosanitary treatment facility at another suburb in Melbourne's north and not at the Market, it is still a gain for Victorian exporters as this facility was otherwise going to be in Brisbane. Other Market participants are investigating opportunities to expand their range of services to facilitate exporting with the support of the MMA.

Progress towards objective 5

Indicator	Unit of measure	2017-18	2018-19	2019-20
• Understand services to assist in facilitating export	Corporate knowledge	✔		
• Trade missions visiting Market	#	✔		

Objective 6: Embrace digital change

Digital technology has the potential to drive great disruption to traditional fresh produce trading paradigms creating major challenges, but at the same time, presenting opportunities such as block chain.

The improvement in quality and the move to branded produce may favor online trading both in business-to-business and business-to-consumer trade.

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.

Over the course of the year, the MMA has completed a touchpoint mapping exercise for clients to determine where potential pain points are and how these could be alleviated via adopting digital technology. A portal to monitor glycol usage and monitor premises temperature is the first outcome from this investment and is due to go live early 2018/19.

After identifying the key opportunities within the MMA's business and Market operations appropriate for digital transformation, key suppliers have been appointed to assist in strategy development and implementation.

Progress towards objective 6

Indicator	Unit of measure	2017-18	2018-19	2019-20
• Opportunities identified	#	✔		

PORTFOLIO PERFORMANCE REPORTING - FINANCIAL

Budget portfolio outcomes

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

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

Five year financial summary ($ thousand)

Five year financial summary	2018	2017	2016	2015	2014
Total revenue	24,445	24 239	23 849	25 068	24 204
Total operating expenditure	(19,959)	(20 893)	(23 357)	(15 769)	(18 014)
Net profit before income tax & depreciation	4,486	3 346	492	9 299	6 190
Depreciation charge	(12,644)	(12 554)	(14 055)	(1 667)	(2 692)
Net result from transactions	(8,158)	(9 208)	(13 563)	7 632	3 498
Net result for the period	2,227	20 899	106 829	7 618	3 519
Net cash flow from operating activities	3,586	3 216	(429)	9 544	8 814
Total assets	490,191	634 619	615 342	508 331	120 589
Total liabilities	28,225	30 880	32 503	32 321	6 839

Overview

The MMA recorded an operating profit before tax and depreciation of $4.4 million for the 2017-18 financial year and had net cash inflow from operating activities of $3.5 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 the MMA's ability to produce a positive cash flow from operating activities.

Financial performance business review

Income improved by 0.85 per cent on the prior period with growth in rental income for fruit and vegetable trading stands and wholesale stores, together with additional parking revenue.

Expenses have decreased by 4.5 per cent with a reduction on the prior year in the cost of professional consultants now that the transition to Epping has been made and we are in more normalised operations. MMA experienced savings of 18 per cent in site security made possible through CCTV improvements and improved utilisation of market relations officers. Working together with our waste provider, MMA has been able to implement improvements in the way waste is managed across the site with a 40 per cent reduction in waste costs.

The overall comprehensive result is down on the prior year due to the revaluation increment on land in 2016-17 for two sites; Epping and West Melbourne.

Financial position – balance sheet

Net assets decreased by $141.8 million over the year to $462 million, due to divestment of the West Melbourne site to the Crown.

Cash flows

Cash balances increased by $645 thousand during the period. A reduction in net cash outflows from operational expenditure allowed MMA to invest in capital projects such as the LED lighting project aimed at reducing the impacts of the rising cost of energy.

Capital projects/asset investment programs

During the year the MMA invested in a number of capital projects to improve site operations. Existing halogen lighting was replaced with energy efficient LED. Bollards were installed in the Buyers' Walk and within Warehouse Buildings 5 and 6 to further separate vehicles from pedestrians and additional rapid rise roller doors were installed to complement existing buildings. There were no projects of $10 million or greater.

Subsequent events

The are no reportable events subsequent to the reporting period

SECTION 2: GOVERNANCE AND ORGANISATIONAL STRUCTURE

Governance and Organisational Structure

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

The Hon. Jaala Pulford, MP, Minister for Agriculture, 1 July 2017 – 30 June 2018.

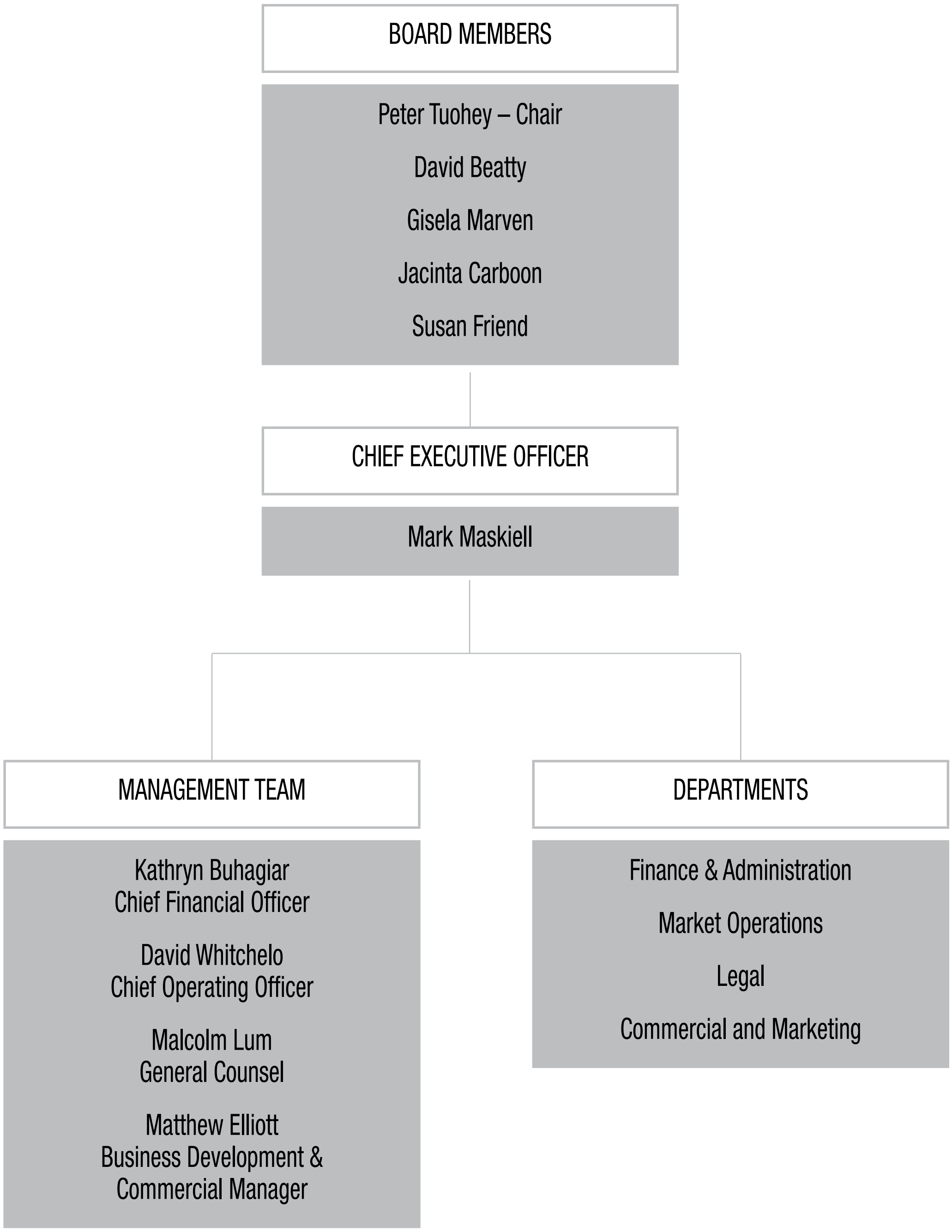
Peter Tuohey	Commenced as a Board member on 18 January 2017 and was appointed Chairperson until 17 January 2020. Peter has attended twelve out of twelve Board meetings.	Commenced as a member of the MMA Marketing Committee and the MMA Remuneration Committee from February 2017.
Gisela Marven	Commenced as a Board member on 14 June 2011. Her appointment was extended on 22 February 2016 until 31 January 2019. Gisela has attended eleven out of twelve Board meetings.	Continued as a member of the Fruit & Vegetable Wholesalers' Advisory Committee; the MMA Finance, Audit & Risk Management Committee; the MMA Marketing Committee and the Chair of the MMA Remuneration Committee.
Jacinta Carboon	Commenced as a Board member on 18 January 2017 and is appointed until 17 January 2020. Jacinta has attended twelve out of twelve Board meetings.	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.
David Beatty	Commenced as a Board member on 13 March 2018 and is appointed until 17 January 2020. David has attended four out of four Board meetings since being appointed.	Commenced as a member of the MMA Finance, Audit & Risk Management Committee from March 2018.
Susan Friend	Commenced as a Board member on 22 February 2016 and is appointed until 31 January 2019. Susan has attended twelve out of twelve Board meetings.	Continued as a member of the Flower Industry Advisory Committee and the Chair of the MMA Finance, Audit & Risk Management Committee.
Robyn Stewart	Commenced as a Board member on 18 January 2017 and resigned from her position in August 2017. Robyn attended four out of six Board meetings.	Commenced as a member of the MMA Finance, Audit & Risk Management Committee from February 2017.

Audit

Oakton Services Pty Ltd – were contracted to provide internal audit consulting services during 2017-18.

HLB Mann Judd – as a service provider for the Victorian Auditor-General, were contracted to undertake annual financial audit services during 2017-18.

Organisational Chart



Audit Committee membership and roles

The MMA Finance, Audit & Risk Management Committee (the Committee) consisted of the following members in 2017-18:

- Susan Friend, Chairperson (independent);
- Robyn Stewart* *(*independent*, term ended 18 August 2017);*
- Gisela Marven (independent); and
- David Beatty* (independent, *term commenced 13 March 2018*).

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.

Note: Robyn Stewart resigned from the Board on 18 August 2017.

Occupational health and safety

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

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

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

OHS incidents

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

Employment and conduct principles

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

SECTION 3: WORKFORCE DATA

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 (2018) of the previous reporting period (2017).

Table 1: Details of employment levels in June 2017 and June 2018

		June 2018							June 2017						
		All employees		Ongoing			Fixed term and casual		All employees		Ongoing			Fixed term and casual	
		Number (headcount)	FTE	Full-time (headcount)	Part time (headcount)	FTE	Number (headcount)	FTE	Number (headcount)	FTE	Full-time (headcount)	Part time (headcount)	FTE	Number (headcount)	FTE
Demographic Data	**Gender**														
	Male	8	8	3	0	3	5	5	6	6	2	0	2	4	4
	Female	13	11.7	8	2	9.3	3	2.4	12	11.4	8	0	8	4	3.4
	Age														
	15-24	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	25-34	0	0	0	0	0	0	0	7	7	5	0	5	2	2
	35-44	0	0	0	0	0	0	0	4	4	2	0	2	2	2
	45-54	0	0	0	0	0	0	0	7	6.4	3	0	3	4	3.4
	55-64	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	65+	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Classification Data	**VPS 1-7 grades**	**15**	**13.7**	**11**	**2**	**12.3**	**2**	**1.4**	**13**	**12.4**	**10**	**0**	**10**	**3**	**2.4**
	VPS 1	1	1	1	0	1	0	0	1	1	1	0	1	0	0
	VPS 2	1	1	1	0	1	0	0	1	1	0	0	0	1	1
	VPS 3 (a)	3	3	2	0	2	1	1	2	2	2	0	2	0	0
	VPS 4	2	2	2	0	2	0	0	2	2	2	0	2	0	0
	VPS 5	3	2.6	2	1	2.6	0	0	2	2	2	0	2	0	0
	VPS 6	2	2	2	0	2	0	0	1	1	1	0	1	0	0
	VPS 7	3	2.1	1	1	1.7	1	0.4	4	3.4	2	0	2	2	1.4
	Senior employees	**6**	**6**	**0**	**0**	**0**	**6**	**6**	**5**	**5**	**0**	**0**	**0**	**5**	**5**
	STS	1	1	0	0	0	1	1	1	1	0	0	0	1	1
	Executives	5	5	0	0	0	5	5	4	4	0	0	0	4	4
	Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total employees	**21**	**19.7**	**11**	**2**	**12.3**	**8**	**7.4**	**18**	**17**	**10**	**0**	**10**	**8**	**7**

Note: (a) There is 1 VPS Grade 3 employee on paid WorkCover

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

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

Income band (salary)	*Executives*	*STS*	*PS*	*SMA*	*SRA*	*Other*
< $160 000	0	1				
$160 000 - $179 999	1					
$180 000 - $199 000						
$200 000 - $219 999	2					
$220 000 - $239 999	1					
$240 000 - $259 999						
$260 000 - $279 999						
$280 000 - $299 999						
Total	**4**	**1**	**0**	**0**	**0**	**0**

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

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, and 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 2018:

- 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

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

Note: (a) There was one female executive vacancy at 30 June 2017, which was filled by a male executive in the year ended 30 June 2018.

The number of executives in the Report of Operations is based on the number of executive positions that are occupied at the end of the financial year. Note 8.3 in the financial statements lists the actual numbers of EOs and total remuneration paid to EOs over the course of the reporting period. The financial statements note does not include the Accountable Officer, nor does it distinguish between executive levels or disclose separations. Separations are executives who have left the MMA during the relevant reporting period. To assist readers, these two disclosures are reconciled below.

Table 2: Reconciliation of executive numbers

		2018	2017
	Executives (Financial Statement Note 8.4)	5	4
	Accountable Officer (CEO)	1	1
Less	Separations		
	Total executive numbers at 30 June	**5**	**4**

Note: (a) There is was one executive vacancy at 30 June 2017 that was filled within the 2018 reporting period.

SECTION 4: OTHER DISCLOSURES

Local Jobs First – Victorian Industry Participation Policy

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

Government Advertising Expenditure

The MMA's expenditure in the 2017-18 reporting period on government campaign expenditure did not exceed $100 000.

Consultancy Expenditure

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

In 2017/18, there were three consultancies where the total fees payable to the consultants were $10,000 or greater. The total expenditure incurred during 2017-18 in relation to these consultancies is $227,487 (excluding GST). Details of individual consultancies are outlined below.

($dollars)

Consultant	*Purpose of consultancy*	*Start date*	*End date*	*Total approved project fee (excl. GST)*	*Expenditure 2017-18 (excl. GST)*	*Future expenditure (excl. GST)*
Corrs Chambers	Legal advisory services	Ongoing	Ongoing	53,501	53,501	Ongoing
Maddocks Lawyers	Legal advisory services	Ongoing	Ongoing	31,788	31,788	Ongoing
Norton Rose Fullbright	Legal advisory services	Ongoing	Ongoing	150,000	142,198	Ongoing

Details of consultancies under $10,000

In 2017/18, there were 13 consultancies engaged during the year, where the total fee payable to the individual consultancies was less than $10,000. The total expenditure during 2017/18 in relation to these consultancies was $60,100 (excl. GST).

Information and communication technology expenditure

Details of information and communication technology (ICT) expenditure

For the 2017-18 reporting period, the MMA had a total ICT expenditure of $563,713 with the details shown below.

($ dollars)

All operational ICT expenditure	*ICT expenditure related to projects to create or enhance ICT capabilities*		
Business As Usual (BAU) ICT expenditure	*Non-Business As Usual (non-BAU) ICT expenditure*	*Operational expenditure*	*Capital expenditure*
(Total)	(Total = Operational expeniture and capital expenditure)		
463,316	**100,397**	**47,643**	**52,754**

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 (valued at $10 million or more) during 2017/18.

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 a Department in-confidence.

From 1 September 2017, the Act has been amended to reduce the Freedom of Information (FoI) 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

FoI requests can be lodged online at www.foi.vic.gov.au. An application fee of $28.40 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 FoI 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

FoI statistics/timeliness

During 2017-18, the MMA received 1 application from an MMA patron. The request was acceded to within the statutory 30-day time period.

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

Major tenant initiated works included:

- Southern LPG Station canopy installation.
- Store 41 – office installation within ground floor tenancy.
- Stores 93, 95 and 97 – reconfigured tenancy including removing walls and existing offices and constructing new cashiers' office.
- Warehouse 5.3 – conversion to a cool room.
- Warehouse 6.13 and adjoining office area – modifications to existing areas including installing doors and windows between warehouse and office area.

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

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

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

The MMA continues to comply with the requirements of the Competitive Neutrality Policy Victoria.

Compliance with the *Protected Disclosure Act 2012*

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

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

Improper or corrupt conduct involves substantial:

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

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

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

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

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

Mail: IBAC, GPO Box 24234, Melbourne, VIC 3001, Internet: www.ibac.vic.gov.au

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

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

Compliance with the *Carers Recognition Act 2012*

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

Office Based Environmental Impacts

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

Energy

The energy decrease during the current reporting period was primarily due to the replacement of all current light fittings with highly efficient LED luminaires delivering a substantial reduction in energy consumption. The project fully aligned with the *Climate Change Act 2017* and is a key component of the overall objective of ensuring the Melbourne Market is a sustainable enterprise. It supports the Victorian Government's aspirations for Victoria becoming a leader in long term emission reductions programs.

The MMA won the Facilities Management Association award for innovation for the LED upgrade project.

	2017-18			*2016-17*		
Indicator	*Electricity*	*Natural Gas*	*Total*	*Electricity*	*Natural Gas*	*Total*
Total energy usage segmented by primary source (MJ)	41,210,426	2,213,341	**43,423,767**	46,193,181	2,110,019	**48,303,200**
Greenhouse gas emissions associated with energy us, segments by primary source and offsets (t CO_2 e)	15,707	117	**15,824**	17,581	111	**17,692**
Actions undertaken						
Replaced light fittings with LED Luminaires. The implementation of this resulted in the reduction of equivalent to 5900 tonnes in CO_2						

Targets

The following targets have been set for 2018-19:

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

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

Waste

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

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

The partnership with the Yarra Valley Waste to Energy facility further enhanced the reduction in landfill deposits. The Melbourne Market delivered 1,581,380 kilograms of organic waste to the facility for the year ending June 2018. A further 797,780 kilograms of organic produce was distributed to Food Bank Victoria as part of our waste reduction strategy.

	2017-18				*2016-17*			
Indicator	*Landfill*	*Commingled recycling*	*Compost*	*Total*	*Landfill*	*Commingled recycling*	*Compost*	*Total*
Total units of waste disposed (kg/yr)	333,860	6,648,250	1,521,900	**8,504,010**	896,290	1,377,630	895,590	**3,169,510**
Units of waste disposed of by FTE (kg/FTE)								
Recycling rate (percentage of total waste)			96.1%	**96.1%**			71.7%	**71.7%**
Greenhouse gas emissions associated with waste disposal (t CO_2-e)			300	**300**	807			**807**

Targets

The following targets have been set for 2018-19:

- Maintain total recycling of > 90 per cent; and
- Investigate installing a waste digester to convert waste on site to multiple forms of commercial applications.

Paper

After shifting most communication to electronic during 2016-17, the MMA has responded to customer feedback suggesting that some communication is preferred in hard copy format resulting in an increased use of paper in 2017-18. As 2017-18 usage is still below 2015-16 usage, potentially the timing of ordering cycle accounted for some of the significant reduction in paper usage during 2016-17, however the paper used per FTE is relatively static.

Indicator	*2017-18*	*2016-17*
Total units of copy paper used (reams)	534	445
Units of copy paper used per FTE (reams/FTE)	27	26
Percentage of 50-74% recycled content copy paper purchased	100%	100%

Targets

The following targets have been set for 2017-18:

- Investigating electronic monthly invoices for tenants to reduce paper usage;
- commissioning of the Tenant portal incorporating electronic reporting and invoicing;
- consolidate service provider invoices into one invoice; and
- develop the MMA's digital transformation strategy which will identify further opportunities to shift behaviour to online as opposed to paper based forms.

Water

The water consumption during the reporting period has decreased by 2.7 per cent compared to the previous reporting period.

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

Indicator	*2017-18*	*2016-17*
Total units of metered water consumed by usage types (kilolitres)	29,334,000	30,159,000
Units of measured water consumed in office offices per FTE (kilolitres/FTE)	NA	NA
Units of metered water consumed in offices per unit of office area (kilolitres/m^2)		
Actions undertaken		
Increase in the water catchment of reuse water. Reuse water is now being used for mechanical cleaning equipment.		

Targets
The following targets have been set for 2018-19

- Reduce water consumption by 5 per cent by expanding the use of reuse water.

Transport

The MMA does not have fleet vehicles.

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

	2017-18			*2016-17*		
Indicator	*6 cyl*	*4WD*	*Total*	*6 cyl*	*4WD*	*Total*
Total energy consumption by vehicles (MJ)						
Total vehicle travel associated with entity operations						
Total greenhouse gas emissions from vehicle fleet (tCO_2 e)						
Greenhouse gas emissions from vehicle per 1,000km travelled (t CO_2 e)			-			-

Indicator	*2017-18*	*2016-17*
Total distance travelled by aeroplane	102,662	104,772

Greenhouse gas emissions

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

Indicator	*2017-18*	*2016-17*
Total greenhouse gas emissions associated with energy use (t CO_2 e)	15,824	17,581
Total greenhouse gas emissions associated with vehicle fleet (t CO_2 e)		-
Total greenhouse gas emissions associated with air travel (t CO_2 e)	27	26
Total greenhouse gas emissions associated with waste production (t CO_2 e)	300	807
Actions undertaken		
All the actions undertaken in the energy and waste sectors will help to reduce the MMA's impacts. Energy reduction programs including replacing light fittings with LED Luminaires. The implementation of this will result in the reduction of equivalent to 5,900 tonnes in CO_2		

Targets
The following targets have been set for 2017-18:

- The LED light fitting replacement throughout the site will remove approximately 5,900 tonnes of greenhouse gas emissions.

Additional information available on request

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

(a) A statement that declarations of pecuniary interests have been duly completed by all relevant officers

(b) Details of changes in prices, fees, charges, rates and levies charged by the MMA;

(c) Details of assessments and measures undertaken to improve the occupational health and safety of employees;

(d) Details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit;

(e) A general statement on industrial relations within the MMA, and details of time lost through industrial accidents and disputes; and

(a) Details of major promotional, public relations and marketing activities undertaken by the MMA to develop community awareness of the entity and its services.

The information is available on request from:

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

Financial Management Compliance Attestation Statement

I Mark Maskiell, certify that MMA has complied with the applicable Standing Directions of the Minister for Finance under the *Financial Management Act 1994* and Instructions.

Chief Executive Officer
Melbourne Market Authority
30 August 2018

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.

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.

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.

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 2018 in the following structure to provide users with the information about the MMA's stewardship of resources entrusted to it.

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 Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2018 and financial position of the MMA at 30 June 2018.

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

We authorise the attached financial statements for issue on 30 August 2018.

K Buhagiar
Chief Financial Officer

Melbourne
30 August 2018

M Maskiell
Chief Executive Officer

Melbourne
30 August 2018

Independent Auditor's Report

To the Board 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 2018 • 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 2018 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.
Board's responsibilities for the financial report	The Board of the authority is 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 Board determines 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 Board is 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.

Level 31 / 35 Collins Street, Melbourne Vic 3000
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

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 Board
- conclude on the appropriateness of the Board'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 Board 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
3 September 2018

Simone Bohan
as delegate for the Auditor-General of Victoria

Comprehensive operating statement

For the financial year ended 30 June 2018 **($ dollars)**

	Notes	2018	2017
Continuing operations			
Income from transactions			
Interest revenue	2.2.1	550,820	578,576
Rental income	2.2.2	20,396,665	20,093,590
Parking	2.2.2	3,206,529	3,175,582
Other income		291,440	390,962
Total income from transactions		**24,445,454**	**24,238,710**
Expenses from transactions			
Employee expenses	3.1.1	(2,811,233)	(2,716,197)
Depreciation and amortisation	4.1.1	(12,644,145)	(12,553,862)
Interest expense	6.1	(924,258)	(953,945)
Other operating expenses	3.2	(16,224,101)	(17,222,899)
Total expenses from transactions		**(32,603,737)**	**(33,446,903)**
Net result from transactions (net operating balance)		**(8,158,283)**	**(9,208,193)**
Other economic flows included in net result			
Net gain/(loss) on non-financial assets		(4,594)	(3,064)
Other gains/(losses) from other economic flows		923	(1,136)
Total other economic flows included in net result		**(3,671)**	**(4,200)**
Net result		**(8,161,954)**	**(9,212,393)**
Other economic flows - other comprehensive income:			
Items that will not be reclassified to net result			
Changes in physical asset revaluation surplus	8.2	10,388,889	30,111,111
Total other economic flows - other comprehensive income		**10,388,889**	**30,111,111**
Comprehensive result		**2,226,935**	**20,898,718**

The accompanying notes form part of these financial statements.

Balance sheet

As at 30 June 2018			($ dollars)
	Notes	2018	2017
Assets			
Financial assets			
Cash and deposits	6.2	8,013,416	7,368,482
Receivables	5.1	1,433,338	1,967,674
Investments and other financial assets	4.3	25,000,000	25,000,000
Total financial assets		**34,446,754**	**34,336,156**
Non-financial assets			
Non-financial physical assets classified as held for distribution	8.3	-	144,000,000
Property, plant & equipment	4.1	455,482,659	455,711,744
Intangible assets	4.2	144,152	233,645
Prepayments		117,245	337,255
Total non-financial assets		**455,744,056**	**600,282,644**
Total assets		**490,190,810**	**634,618,800**
Liabilities			
Payables	5.2	6,052,924	7,639,380
Borrowings	6.1	22,000,000	23,000,000
Employee related provisions	3.1.2	172,409	240,880
Total liabilities		**28,225,333**	**30,880,260**
Net assets		**461,965,477**	**603,738,540**
Equity			
Accumulated surplus		150,291,006	44,515,158
Physical asset revaluation surplus	8.2	97,867,734	201,416,645
Contributed capital		213,806,737	357,806,737
Net worth		**461,965,477**	**603,738,540**

The accompanying notes form part of these financial statements.

Cash flow statement

For the financial year ended 30 June 2018			($ dollars)
	Notes	*2018*	*2017*
Cash flows from operating activities			
Receipts			
Receipts from customers		23,729,784	23,460,145
Receipts from government		142,224	221,676
Interest received		558,164	549,456
Other receipts		149,216	169,286
Total receipts		**24,579,388**	**24,400,563**
Payments			
Payments to suppliers and employees		(19,862,119)	(19,701,237)
Goods and services tax paid to the ATO [(a)]		(206,806)	(529,808)
Interest and other costs of finance paid		(924,258)	(953,945)
Total payments		**(20,993,183)**	**(21,184,990)**
Net cash flows from operating activities	6.2.1	**3,586,205**	**3,215,573**
Cash flows from investing activities			
Payments for investments		-	-
Purchases of non-financial assets		(2,009,810)	(748,678)
Proceeds from disposals of PPE		68,539	(3,064)
Net cash flows used in investing activities		**(1,941,271)**	**(751,742)**
Cash flows from financing activities			
Repayment of borrowings		(1,000,000)	(1,000,000)
Net cash flows used in financing activities		**(1,000,000)**	**(1,000,000)**
Net increase in cash and cash equivalents		**644,934**	**1,463,831**
Cash at the beginning of the financial year		7,368,482	5,904,651
Cash at the end of the financial year	6.2	**8,013,416**	**7,368,482**

The accompanying notes form part of these financial statements.

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

Statement of changes in equity

For the financial year ended 30 June 2018 **($ dollars)**

	Notes	*Physical asset revaluation surplus*	*Accumulated surplus*	*Contributed capital*	*Total*
Balance at 1 July 2016		**171,305,534**	**53,727,551**	**357,806,737**	**582,839,822**
Net result for the year			(9,212,393)		(9,212,393)
Other comprehensive income for the year*	8.4	30,111,111			30,111,111
Balance at 30 June 2017		**201,416,645**	**44,515,158**	**357,806,737**	**603,738,540**
Net result for the year			(8,161,952)		(8,161,952)
Other comprehensive income for the year*	8.4	10,388,889			10,388,889
Transfer to accumulated surplus		(113,937,800)	113,937,800		0
Transfer due to disposal				(144,000,000)	(144,000,000)
Balance at 30 June 2018		**97,867,734**	**150,291,006**	**213,806,737**	**461,965,477**

The accompanying notes form part of these financial statements.

**Note:*
(2017) Management revaluation of land was performed in line with Valuer-General Victoria (VGV) land indices as at 30 June 2017, and resulted in a revaluation increment of $30,111,111.

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

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

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 following notes:

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

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 (AASB 1049)*.

Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

2. FUNDING DELIVERY OF OUR SERVICES

Introduction

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

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

Structure

2.1 Summary of income that funds the delivery of our services

2.2 Income from transactions

2.1 SUMMARY OF INCOME THAT FUNDS THE DELIVERY OF OUR SERVICES

($ dollars)

	Notes	*2018*	*2017*
Interest	2.2.1	550,820	578,576
Rental income	2.2.2	20,396,665	20,093,590
Parking income	2.2.2	3,206,529	3,175,582
Other income		291,440	390,962
Total income from transactions		**24,445,454**	**24,238,710**

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

2.2 INCOME FROM TRANSACTIONS

2.2.1 INTEREST INCOME

($ dollars)

	2018	*2017*
Interest from financial assets not at fair value through profit and loss		
Interest on bank deposits	550,820	578,576
Total interest from financial assets not at fair value through profit and loss	**550,820**	**578,576**

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

2.2.2 RENTAL AND PARKING INCOME

($ dollars)

	2018	*2017*
Rental income		
Fruit and vegetable trading stands	2,961,319	2,820,727
Wholesale stores and warehouses	9,341,393	9,084,481
Flower trading stands	1,392,272	1,343,011
Other commercial rents	6,701,681	6,845,371
Total rental income	**20,396,665**	**20,093,590**
Parking	3,206,529	3,175,582
Total rental and parking income	**23,603,194**	**23,269,172**

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

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

Operating leases relate to operating property owned by MMA with lease terms of between one to fifteen years, with an option to renew for a further term. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

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

($ dollars)

	2018	*2017*
Non-cancellable operating lease receivables		
Not longer than one year	11,262,088	10,822,988
Longer than one year but not longer than five years	10,947,885	19,540,142
Longer than five years	280,538	519,263
Total non-cancellable operating lease receivables	**22,490,511**	**30,882,393**

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

3. THE COST OF DELIVERING SERVICES

Introduction

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

Structure

3.1 Expenses incurred in delivery of service

3.2 Other operating expenses

3.1 EXPENSES INCURRED IN DELIVERY OF SERVICES

($ dollars)

	Notes	*2018*	*2017*
Employee benefit expenses	3.1.1	2,811,233	2,716,197
Other operating expenses	3.2	16,224,101	17,222,899
Total expenses incurred in delivery of services		**19,035,334**	**19,939,096**

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)

	2018	*2017*
Defined contribution superannuation expense	232,028	205,767
Defined benefit superannuation expense	-	1,169
Salaries and wages, annual leave and long service leave	2,579,205	2,509,261
Total employee expenses	**2,811,233**	**2,716,197**

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

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

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when MMA is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

3.1.2 EMPLOYEE BENEFITS IN THE BALANCE SHEET

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

($ dollars)

	2018	*2017*
Current provisions:		
Annual leave		
Unconditional and expected to settle within 12 months	76,481	89,132
Unconditional and expected to settle after 12 months	18,126	35,232
Long service leave		
Unconditional and expected to settle within 12 months	7,215	15,035
Unconditional and expected to settle after 12 months	28,860	60,140
Provisions for on-costs		
Unconditional and expected to settle within 12 months	13,880	15,480
Unconditional and expected to settle after 12 months	6,982	14,173
Total current provisions for employee benefits	**151,544**	**229,192**
Non-current provisions:		
Employee benefits	18,166	10,176
On-costs	2,699	1,512
Total non-current provisions for employee benefits	**20,865**	**11,688**
Total provisions for employee benefits	**172,409**	**240,880**

Reconciliation of movement in on-cost provision

($ dollars)

	2018	*2017*
Opening balance	**31,165**	**12,994**
Additional provisions recognised	24,640	25,676
Reductions arising from payment/other sacrifices of future economic benefits	(32,244)	(7,505)
Closing balance	**23,561**	**31,165**
Current	20,862	29,653
Non-current	2,699	1,512

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

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

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

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

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

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

The components of this current LSL liability are measured at:

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

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL is measured at the present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an 'other economic flow' in the net result.

3.1.3 SUPERANNUATION CONTRIBUTIONS

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

($ dollars)

	Paid contribution for the year		*Contribution outstanding at year end*	
	2018	*2017*	*2018*	*2017*
Defined benefit plans				
Vision Super	-	1,169	-	-
Defined contribution plans				
Vision Super	20,427	21,323	1,370	2,437
Harwhitch Super Fund	20,110	19,627	1,586	2,152
Australian Super	40,540	26,117	3,250	3,719
Unisuper	19,386	18,927	7,600	2,569
Colonial Master Fund	30,896	28,479	2,200	2,986
IOOF Life Track	15,997	15,149	915	1,719
BT Super	6,556	14,205	155	690
REST	5,876	10,857	457	629
REI Super	6,215	-	572	-
CBUS	17,582	9,543	1,498	1,043
Sunsuper	1,776	7,845	213	855
Vic Super	2,865	6,578	-	32
MLC Masterkey	9,901	5,943	790	1,023
Hostplus	9,549	5,609	3,391	660
Superwrap - Personal Super	6,431	5,438	506	658
Media Super	4,808	3,304	51	901
Freedom of Choice	3,964	-	554	-
Other	9,149	6,823	1,474	1,382
Total	**232,028**	**206,936**	**26,582**	**23,455**

3.2 OTHER OPERATING EXPENSES

($ dollars)

	Notes	2018	2017
Supplies and services			
Market operations		3,963,298	5,945,333
Repairs and maintenance		1,930,062	1,878,179
Fuels, rates and taxes		4,680,943	3,739,295
Marketing and media		267,974	272,289
Audit and insurance		500,202	653,158
Professional services		2,848,853	3,351,476
Other		1,598,771	1,198,768
Subtotal		**15,790,103**	**17,038,498**
Bad debts from transactions		425,298	167,741
Ex-gratia expense		8,700	16,660
Total other operating expenses		**16,224,101**	**17,222,899**

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.

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*	
	2018	*2017*	*2018*	*2017*	*2018*	*2017*
Land at fair value	71,500,000	61,111,111	-	-	71,500,000	61,111,111
Buildings at fair value	407,790,495	406,016,566	24,493,977	12,212,528	383,296,518	393,804,038
Capital works in progress	115,669	86,269	-	-	115,669	86,269
Plant, equipment and vehicles at fair value						
- Market equipment	627,059	619,055	457,168	385,336	169,891	233,719
- Motor vehicles	362,600	358,805	241,514	245,080	121,086	113,725
- Computer equipment	618,951	732,748	360,575	397,379	258,376	335,369
- Office plant and equipment	61,697	60,229	40,578	32,716	21,119	27,513
Net carrying amount	**481,076,471**	**468,984,783**	**25,593,812**	**13,273,039**	**455,482,659**	**455,711,744**

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 included in buildings at fair value in the table above are 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 below 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.

4.1 TOTAL PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Specialised land and specialised buildings: The market approach is also used for specialised land, although is adjusted for the Community Service Obligation (CSO) to reflect the specialised nature of the land being valued.

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

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

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

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

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

4.1.1 DEPRECIATION AND AMORTISATION

Charge for the period **($ dollars)**

	Notes	*2018*	*2017*
Buildings		12,281,450	12,206,720
Market equipment		71,832	72,156
Motor vehicles		35,695	38,108
Computer equipment		129,800	133,800
Office plant and equipment		7,862	8,204
Computer software	4.2	117,506	94,874
Total depreciation and amortisation		**12,644,145**	**12,553,862**

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

Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

(years)

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

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

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

The assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as an 'other economic flow', except the extent that it can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

4.1.2 CARRY VALUES BY 'PURPOSE' GROUP

($ dollars)

	Public safety and environment Net carrying amount	
	2018	*2017*
Land at fair value	71,500,000	61,111,111
Buildings at fair value	383,296,518	393,804,038
Capital works in progress	115,669	86,269
Plant, equipment and vehicles		
- Market equipment	169,891	233,719
- Motor vehicles	121,086	113,725
- Computer equipment	258,376	335,369
- Office plant and equipment	21,119	27,513
Net carrying amount	**455,482,659**	**455,711,744**

4.1.3 RECONCILATION OF MOVEMENTS IN CARRY AMOUNT OF PROPERTY, PLANT AND EQUIPMENT

($ dollars)

	Freehold Land		*Buildings*		*Market Equip.*		*Motor Vehicles*		*Computer Equip.*		*Office Plant & Equip.*		*Works In Progress*		*Total*	
	2018	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*
Opening balance	61,111,111	175,000,000	393,804,038	405,370,000	233,719	271,469	113,725	151,833	335,369	359,590	27,513	35,717	86,269	298,707	455,711,744	581,487,316
Additions	-	-	1,801,079	646,566	8,005	34,406	88,423	-	53,423	113,458	1,468	-	29,400	159,705	1,981,797	954,135
Disposals	-	-	(27,150)	-	-	-	(45,368)	-	(615)	(3,879)	-	-	-	0	(73,133)	(3,879)
Transfer in/out of Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
works in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	(372,143)	-	(372,143)
Revaluation of PPE	10,388,889	30,111,111	-	-	-	-	-	-	-	-	-	-	-	-	10,388,889	30,111,111
Impairment of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	(12,281,450)	(12,212,528)	(71,833)	(72,156)	(35,694)	(38,108)	(129,800)	(133,800)	(7,862)	(8,204)	0	0	(12,526,639)	(12,464,796)
Transfer to assets held for distribution	-	(144,000,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	(144,000,000)
Closing balance	**71,500,000**	**61,111,111**	**383,296,518**	**393,804,038**	**169,891**	**233,719**	**121,086**	**113,725**	**258,377**	**335,369**	**21,119**	**27,513**	**115,669**	**86,269**	**455,482,659**	**455,711,744**

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

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

The discontinued site at West Melbourne has been transferred into disposal group of assets held for distribution in 2017.

4.2 INTANGIBLE ASSETS

		($ dollars)
	Computer software	
	2018	*2017*
Gross carrying amount		
Opening balance	842,232	665,859
Additions	28,013	176,373
Disposals	-	-
Closing balance	**870,245**	**842,232**
Accumulated depreciation, amortisation and impairment		
Opening balance	(608,587)	(513,713)
Amortisation expense	(117,506)	(94,874)
Disposal	-	-
Closing balance	(726,093)	(608,587)
Net carrying amount at end of financial year	**144,152**	**233,645**

Initial recognition

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

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:
(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) an intention to complete the intangible asset and use or sell it;
(c) the ability to use or sell the intangible asset;
(d) the intangible asset will generate probable future economic benefits;
(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
(f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Subsequent measurement

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

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

Impairment of intangible assets

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

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

4.3 INVESTMENT AND OTHER FINANCIAL ASSETS

($ dollars)

	2018	*2017*
Current investments and other financial assets		
Australian dollar term deposits > three months	25,000,000	25,000,000
Total current investments and other financial assets	**25,000,000**	**25,000,000**
Total investments and other financial assets	**25,000,000**	**25,000,000**

Ageing analysis of investments and other financial assets

($ dollars)

	Carrying amount	Not past due and not impaired	Past due but not impaired			
			Less than 1 month	1-3 months	3 months-1 year	1-5 years
2018						
Term deposits	25,000,000	25,000,000				
Total	**25,000,000**	**25,000,000**	-	-	-	-
2017						
Term deposits	25,000,000	25,000,000				
Total	**25,000,000**	**25,000,000**	-	-	-	-

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

($ dollars)

	2018	2017
Contractual		
Rental revenue	1,647,896	1,780,375
Provision for doubtful contractual receivables	(345,781)	(85,455)
Accrued investment income	85,056	92,400
Statutory		
Amounts owing from Victorian Government	18,644	8,946
GST input tax credit recoverable	27,523	171,408
Total receivables	**1,433,338**	**1,967,674**
Represented by		
Current receivables	1,333,638	1,809,558
Non-current receivables	99,700	158,116

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

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments. Amounts receivable from the Victorian Government represent money owing from site services provided in the ordinary course of business.

Movement in the provision for doubtful debts

($ dollars)

	2018	2017
Balance at the beginning of the year	**(85,455)**	**(36,747)**
Reversal of unused provision recognised in net result	-	-
Transfers in/acquired outputs	-	-
Increase in provision recognised in the net result	(345,781)	(85,455)
Reversal of provision of receivable written off during the year as uncollectable	85,455	36,747
Balance at the end of the year	**(345,781)**	**(85,455)**

Doubtful debts: Receivables are assessed for bad and doubtful debts on a regular basis. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computation methods in accordance with AASB 136 *Impairment of Assets*.

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

Bad debts considered as written off by mutual consent are classified as transaction expense. Bad debts not written off, but included in the provision for doubtful debts, are classified as other economic flows in the net result.

Ageing analysis of contractual receivables

($ dollars)

			Past due but not impaired			
	Carrying amount	*Not past due and not impaired*	*less than 1 month*	*1-3 months*	*3 months - 1 year*	*1 - 5 years*
2018						
Sale of goods and services	1,302,115	1,096,382	20,556	83,182	2,295	99,700
Accrued investment income	85,056	85,056	-	-	-	-
Total	**1,387,171**	**1,181,438**	**20,556**	**83,182**	**2,295**	**99,700**
2017						
Sale of goods and services	1,694,920	653,580	147,377	99,124	175,992	618,847
Accrued investment income	92,400	92,400	-	-	-	-
Total	**1,787,320**	**745,980**	**147,377**	**99,124**	**175,992**	**618,847**

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

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

5.2 PAYABLES

	2018	2017
	($ dollars)	
Contractual		
Supplies and services	2,810,412	4,404,367
Interest payable	189,037	190,160
Tenant bonds and retention monies	367,003	498,425
Rentals in advance	1,746,177	1,619,588
Statutory		
FBT payable	15,261	22,120
Other taxes payable	925,034	904,720
Total current payables	**6,052,924**	**7,639,380**
Represented by:		
Current payables	5,685,921	7,140,955
Non-current payables	367,003	498,425

Payables consist of:

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

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

Maturity analysis of contractual payables [(a)] ($ dollars)

			Past due but not impaired			
	Carrying amount	*Nominal amount*	*less than 1 month*	*1-3 months*	*3 months - 1 year*	*1 - 5 years*
2018						
Supplies and services	2,810,412	2,810,412	2,810,412	-	-	-
Tenant bonds and retention monies	367,003	367,003	-	-	-	367,003
Rentals in advance	1,746,177	1,746,177	1,746,177	-	-	-
Other payables	189,037	189,037	-	189,037	-	-
Total	**5,112,629**	**5,112,629**	**4,556,589**	**189,037**	**-**	**367,003**
2017						
Supplies and services	4,404,367	4,404,367	4,404,367	-	-	-
Tenant bonds and retention monies	498,425	498,425	-	-	-	498,425
Rentals in advance	1,619,588	1,619,588	1,619,588	-	-	-
Other payables	190,160	190,160	-	190,160	-	-
Total	**6,712,540**	**6,712,540**	**6,023,955**	**190,160**	**-**	**498,425**

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

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)

	2018	*2017*
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	21,000,000	22,000,000
Total non-current borrowings	**21,000,000**	**22,000,000**
Total borrowings	**22,000,000**	**23,000,000**

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

Borrowings are classified as financial instruments. All interest bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The measurement basis subsequent to initial recognition depends on whether the entity has categorised its interest bearing liabilities as either 'financial liabilities designated at fair value through profit or loss', or financial liabilities at 'amortised cost'. The classification depends on the nature and purpose of the interest bearing liabilities. The entity determines the classification of its interest bearing liabilities at initial recognition.

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

Maturity analysis of borrowings ($ dollars)

			Past due but not impaired				
	Carrying amount	*Nominal amount*	*less than 1 month*	*1-3 months*	*3 months - 1 year*	*1 - 5 years*	*5+ years*
2018							
Loans from TCV	22,000,000	22,000,000	-	500,000	500,000	4,000,000	17,000,000
Total	**22,000,000**	**22,000,000**	**-**	**500,000**	**500,000**	**4,000,000**	**17,000,000**
2017							
Loans from TCV	23,000,000	23,000,000		500,000	500,000	4,000,000	18,000,000
Total	**23,000,000**	**23,000,000**	**-**	**500,000**	**500,000**	**4,000,000**	**18,000,000**

6.1 BORROWINGS (CONTINUED)

Interest expense **($ dollars)**

	2018	2017
Interest on government loans	924,258	953,945
Total interest expense	**924,258**	**953,945**

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

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

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

6.2 CASH FLOW INFORMATION AND BALANCES

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three 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)

	2018	2017
Total cash and deposits disclosed in the balance sheet	8,013,416	7,368,482
Balance as per cash flow statement	**8,013,416**	**7,368,482**

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

($ dollars)

	2018	2017
Net result for the period	**(8,161,954)**	**(9,212,393)**
Non-cash movements		
(Gain)/loss on sale or disposal of non-current assets	4,594	3,064
Depreciation and amortisation of non-current assets	12,644,144	12,553,862
Movements in assets and liabilities		
(Increase)/decrease in receivables	534,339	568,188
(Increase)/decrease in prepayments	220,010	(74,878)
(Decrease)/increase in provisions	(68,472)	(40,126)
(Decrease)/increase in payables	(1,586,456)	(582,144)
Net cash flows from operating activities	**3,586,205**	**3,215,573**

6.3 COMMITMENTS FOR EXPENDITURE

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

6.3.1 TOTAL COMMITMENTS PAYABLE

($ dollars)

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

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

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

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 instruments

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). MMA recognises the following assets in this category:

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

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

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

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

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

7.1.1 FINANCIAL INSTRUMENTS: CATEGORISATION

($ dollars)

2018	*Contractual financial assets - loans and receivables and cash*	*Contractual financial liabilities at amortised cost*	*Total*
Contractual financial assets			
Cash and deposits	8,013,416	-	8,013,416
Receivables (a)			
Accrued investment income	85,056	-	85,056
Rental income	1,302,115	-	1,302,115
Investments and other contractual financial assets			
Term deposits	25,000,000	-	25,000,000
Total contractual financial assets	**34,400,587**	**-**	**34,400,587**
Contractual financial liabilities			
Payables (a)			
Supplies and services	-	2,810,412	2,810,412
Tenant bonds and retention monies	-	367,003	367,003
Rentals in advance	-	1,746,177	1,746,177
Other payables	-	189,037	189,037
Borrowings			
Loans from TCV	-	22,000,000	22,000,000
Total contractual financial liabilities	**-**	**27,112,629**	**27,112,630**

2017	*Contractual financial assets - loans and receivables and cash*	*Contractual financial liabilities at amortised cost*	*Total*
Contractual financial assets			
Cash and deposits	7,368,482	-	7,368,482
Receivables (a)			
Accrued investment income	92,400	-	92,400
Rental income	1,694,920	-	1,694,920
Investments and other contractual financial assets			
Term deposits	25,000,000	-	25,000,000
Total contractual financial assets	**34,155,802**	**-**	**34,155,802**
Contractual financial liabilities			
Payables (a)			
Supplies and services	-	4,404,367	4,404,367
Tenant bonds and retention monies	-	498,425	498,425
Rentals in advance	-	1,619,588	1,619,588
Other payables	-	190,160	190,160
Borrowings			
Loans from TCV	-	23,000,000	23,000,000
Total contractual financial liabilities	**-**	**29,712,540**	**29,712,540**

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

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

($ dollars)

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

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

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

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

7.1.3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 7.3 to the financial statements.

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

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

MMA uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the financial risk management committee of MMA.

7.1.3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Financial Instruments: Credit risk

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

There has been no material change to MMA's credit risk profile in 2017-18.

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

2018	Financial institutions (AA- credit rating)	Government Agencies (Triple-A credit rating)	Government agencies (triple-B credit rating	Other (minimum triple-B credit rating	Total
Cash and deposits	3,207,539	4,800,000	-	5,877	8,013,416
Receivables (a)					
- Accrued investment income	-	85,056	-	-	85,056
- Rental income	-	-	-	1,302,115	1,302,115
Investments & other contractual financial assets					
- Term deposits	-	25,000,000	-	-	25,000,000
Total	**3,207,539**	**29,885,056**	**-**	**1,307,992**	**34,400,587**
2017					
Cash and deposits	2,561,905	4,800,000	-	6,577	7,368,482
Receivables (a)					
- Accrued investment income	-	92,400	-	-	92,400
- Rental income	-	-	-	1,694,920	1,694,920
Investments & other contractual financial assets					
- Term deposits	-	25,000,000	-	-	25,000,000
Total	**2,561,905**	**29,892,400**	**-**	**1,701,497**	**34,155,802**

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

Financial instruments: Liquidity risk

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

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

- close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements;
- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations;
- careful maturity planning of its financial obligations based on forecasts of future cash flows; and
- a high credit rating for the State of Victoria.

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

7.1.3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Financial Instruments: Market risk

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

Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. 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.

7.1.3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk continued

Interest rate exposure of financial instruments **($ dollars)**

2018	Weighted average interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing
Financial Assets					
Cash and deposits	1.45%	8,013,416	4,800,000	3,207,539	5,877
Receivables (a)					
- Accrued investment income		85,056	-	-	85,056
- Rental income		1,302,115	-	-	1,302,115
Investments & other contractual financial assets					
- Term deposits	1.90%	25,000,000	25,000,000	-	-
Total financial assets		**34,400,587**	**29,800,000**	**3,207,539**	**1,393,048**
Financial Liabilities					
Payables (a)					
- Borrowings	4.13%	22,000,000	22,000,000	-	-
- Supplies and services		2,810,412	-	-	2,810,412
- Tenant bonds and retention monies		367,003	-	-	367,003
- Rentals in advance		1,746,177	-	-	1,746,177
- Other payables		189,037	-	-	189,037
Total financial liabilities		**27,112,629**	**22,000,000**	**-**	**5,112,629**

($ dollars)

2017	Weighted average interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing
Financial Assets					
Cash and deposits	1.47%	7,368,482	4,800,000	2,561,905	6,577
Receivables (a)					
- Accrued investment income		92,400	-	-	92,400
- Rental income		1,694,920	-	-	1,694,920
Investments & other contractual financial assets					
- Term deposits	2.02%	25,000,000	25,000,000	-	-
Total financial assets		**34,155,802**	**29,800,000**	**2,561,905**	**1,793,897**
Financial Liabilities					
Payables (a)					
- Borrowings	4.08%	23,000,000	23,000,000	-	-
- Supplies and services		4,404,367	-	-	4,404,367
- Tenant bonds and retention monies		498,425	-	-	498,425
- Rentals in advance		1,619,588	-	-	1,619,588
- Other payables		190,160	-	-	190,160
Total financial liabilities		**29,712,540**	**23,000,000**	**-**	**6,712,540**

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

7.1.3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk sensitivity **($ dollars)**

		-100 basis points	+100 basis points
2018	*Carrying amount*	*Net result*	*Net result*
Contractual financial assets			
Cash and deposits	8,007,539	(32,075)	32,075
Investments & other contractual financial assets	25,000,000	-	-
Contractual financial liabilities	22,000,000	-	-
Total impact		**(32,075)**	**32,075**
2017			
Contractual financial assets			
Cash and deposits	7,361,905	(25,619)	25,619
Investments & other contractual financial assets	25,000,000	-	-
Contractual financial liabilities	23,000,000	-	-
Total impact		**(25,619)**	**25,619**

7.2 CONTINGENT ASSETS AND CONTIGENT LIABILITIES

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

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

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

MMA is the lessor for land on the site for development of an unmanned diesel station. The lease contains a tenant contribution provision of $275,000 contingent on approval for construction of the Secretary to the Department of Economic Development, Jobs, Transport and Resources, and practical completion of construction works.

7.3 FAIR VALUE DETERMINATION

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

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

The following assets and liabilities are carried at fair value:

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

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

7.3 FAIR VALUE DETERMINATION (CONTINUED)

Fair value hierarchy

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

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The Valuer General Victoria (VGV) is MMA's independent valuation agency. MMA monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

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

7.3.1 FAIR VALUE DETERMINATION: NON-FINANCIAL PHYSICAL ASSETS

Fair Value measure hierarchy **($ dollars)**

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

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

Notes:
(a) Classified in accordance with the fair value hierarchy
(b) Vehicles are categorised to Level 3 assets as the depreciated replacement cost is used in estimating the fair value

There have been no transfers between levels during the period.

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

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

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

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.

(2017) A fair value assessment was conducted using the impact of the Valuer-General Victoria (VGV) industrial land indices for the year ended 30 June 2017 that showed a material increase for the 2016/17 period. A management revaluation was made to increase the value of Epping land from $55 million to $61.1 million, and West Melbourne land from $120 million to $144 million.

(2018) A fair value assessment was conducted using the impact of the Valuer-General Victoria (VGV) englobo land indices for the year ended 30 June 2018 that showed a 17% increase for the 2017/18 period. As the change since the last management valuation was material, a management revaluation was made to increase the value of Epping land from $61.1 million to $71.5 million. The use of the englobo index signifies a change in estimates from the industrial index used in the prior year with the impact of land valued $3.6m greater than it otherwise would have using industrial indices.

West Melbourne land was divested to the Crown on 18 July 2017.

Buildings and improvements: An independent valuation of MMA's buildings was performed by the Valuer-General Victoria at 30 June 2016 to conform to Australian Valuation Standards using the cost approach or depreciated replacement cost method which factors best available evidence from recognised building cost indicators, Quantity Surveyors and examples of current costs, assessment of useful life/remaining useful life and an assessment of depreciation rate. These unobservable inputs are classified as Level 3 fair value measurements. The fair value ascribed by VGV for the carrying amount of buildings and improvements, as represented by the depreciated replacement cost, at 30 June 2016 is $405.3 million. Additions to buildings and improvements since 1 July 2016 are recorded at cost, which represents fair value.

A fair value assessment was undertaken using the impact of the Valuer-General Victoria indices for the years ended 30 June 2018 and 30 June 2017. It was determined that the movement in fair values was less than 10% and as such a managerial revaluation was not required.

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 2018.

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

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

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

2018	Specialised Land	Specialised Buildings	Vehicles	Plant and equipment
Opening Balance	61,111,111	393,804,038	113,725	596,600
Purchases (sales)	-	1,801,079	88,423	62,896
Transfers in (out) of Level 3	-	-	-	-
Gains or losses recognised in net result	-	-	-	-
Disposals	-	(27,150)	(45,368)	(615)
Depreciation	-	(12,281,450)	(35,694)	(209,495)
Subtotal	**61,111,111**	**383,296,518**	**121,086**	**449,386**
Gains or losses recognised in other economic flows - other comprehensive income	-	-	-	-
Revaluations	10,388,889	-	-	-
Subtotal	**10,388,889**	**-**	**-**	**-**
Closing balance	**71,500,000**	**383,296,518**	**121,086**	**449,386**

2017	Specialised Land	Specialised Buildings (a)	Vehicles	Plant and equipment
Opening Balance	175,000,000	405,370,000	151,833	666,776
Purchases (sales)	-	640,758	-	147,863
Transfers in (out) of Level 3	(144,000,000)	-	-	-
Gains or losses recognised in net result				
Disposals	-	-	-	(3,879)
Depreciation	-	(12,206,720)	(38,108)	(214,160)
Subtotal	**31,000,000**	**393,804,038**	**113,725**	**596,600**
Gains or losses recognised in other economic flows - other comprehensive income				
Revaluations	30,111,111	-	-	-
Subtotal	31,111,111	-	-	-
Closing balance	**61,111,111**	**393,804,038**	**113,725**	**596,600**

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

Description of significant unobservable inputs to Level 3 valuations

2018 and 2017	Valuation Technique	Significant unobservable inputs
Buildings - Epping	Cost approach Depreciated replacement cost	Direct cost per square metre Useful life of buildings
Land	Market approach	Community Service Obligation (CSO) adjustment
Vehicles	Depreciated replacement cost	Useful life of vehicles
Plant and equipment	Depreciated replacement cost	Useful life of plant and equipment

The significant unobservable inputs have remained unchanged since 30 June 2017.

Non financial physical assets classified as held for distribution to owners

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

	Carrying amount as at 30 June	*Fair value measurement at end of reporting period using:*		
2018		*Level 1 (a)*	*Level 2 (a)*	*Level 3(a)*
Freehold land held for distribution to owners (b) (c)	-	-	-	-
2017				
Freehold land held for distribution to owners (b)	144,000,000	-	144,000,000	-

Note:
(a) Classified in accordance with the fair value hierarchy
(b) Freehold land held for distribution to owners is reported in Note 8.3
(c) Land was divested to the Crown 18 July 2017

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 NON-FINANCIAL ASSETS CLASSIFIED AS HELD FOR DISTRIBUTION

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

($ dollars)

	2018	*2017*
Non-current assets:		
Freehold land held for distribution [(a)]	-	144,000,000
Balance at end of financial year	**-**	**144,000,000**

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

Measurement of non-financial physical assets

Non-financial physical assets are treated as current and classified as held for distribution to owners if their carrying amount will be recovered through a distribution transaction rather than through continuing use.

This condition is regarded as met only when:

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

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

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

8.2 RESERVES

($ dollars)

	2018	*2017*
Physical asset revaluation surplus (a)		
Balance at beginning of financial year	201,416,645	171,305,534
Revaluation increments	10,388,889	30,111,111
Disposal or transferred out (b)	(113,937,800)	-
Balance at end of financial year	**97,867,734**	**201,416,645**

Note:
(a) The physical assets revaluation surplus arises on the revaluation of land and buildings. Refer to Note 4.1.3.
(b) Revaluations relating to the West Melbourne site were transferred to accumulated surplus.

8.3 RESPONSIBLE PERSONS

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

Names

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

Minister for Agriculture and Regional Development	The Hon. Jaala Pulford	01-Jul-2017 to 30-Jun-2018
Board Chairperson	Mr P Touhey	01-Jul-2017 to 30-Jun-2018
Board Member	Ms G Marven	01-Jul-2017 to 30-Jun-2018
Board Member	Ms S Friend	01-Jul-2017 to 30-Jun-2018
Board Member	Ms J Carboon	01-Jul-2017 to 30-Jun-2018
Board Member	Ms R Stewart	01-Jul-2017 to 18-Aug-2017
Board Member	Mr D Beatty	13-Mar-2018 to 30-Jun-2018
Chief Executive Officer	Mr M Maskiell	01-Jul-2017 to 30-Jun-2018

Remuneration of responsible persons

Remuneration received or receivable by the Accountable Officer in conjunction with the management of the MMA during the reporting period was in the range: $360,000 - $369,999 ($340,000 - $349,999 in 2016-17).

Remuneration paid or payable to Responsible Persons during the year was:

Income band	*2018*	*2017*
< $10,000	2	2
$10,000 - $19,999	1	5
$20,000 - $30,000	2	1
$40,000 - $49,999	1	-
$340,000 - $349,999	-	1
$360,000 - $369,999	1	-

Total remuneration of responsible persons: $496,575 (2017: $474,534)

Responsible persons remuneration shown in aggregate above includes Directors' fees and superannuation contributions paid on behalf of Directors by MMA. The amount excludes insurance premiums paid by MMA in respect of Directors and Officers insurance contracts. The Accountable Officer's remuneration for the 30 June 2018 year included the total salary package received during the year and a performance bonus relating to the 30 June 2017 year.

8.4 REMUNERATION OF EXECUTIVES

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

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

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

8.4 REMUNERATION OF EXECUTIVES (CONTINUED)

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)

Remuneration of executive offers (including executives defined as Key Management Personnel (KMP) disclosed in Note 8.7)	*Total Remuneration 2018*	*Total Remuneration 2017*
Short-term employee benefits	787,179	711,306
Post employment benefits	72,578	65,370
Other long-term benefits	-	-
Total remuneration (a)	**859,757**	**776,676**
Total number of executives	**5**	**3**
Total annualised employee equivalents (b)	**4.01**	**3.66**

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.
(2017) There was one executive who resigned effective 28 April 2017, the role was vacant at the end of the reporting period and therefore the ending number of executives was 3, however throughout the course of the year the count had been 3.8.
(2018) There was one executive who resigned effective 25 May 2018, the vacancy was filled on 21 May 2018 and therefore the total number of executives includes one separation. The count of excutives throughout the year was 4.

8.5 RELATED PARTIES

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

Related parties of MMA include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);
- all cabinet ministers and their close family members; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

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

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

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

Note*
Nicola Pearl resigned 25 May 2018. Robyn Stewart resigned 18 August 2017.

8.5 RELATED PARTIES (CONTINUED)

Remuneration of key management personnel

	2018	*2017*
Short-term employee benefits(a)	1,241,641	1,145,968
Post-employment benefits	114,690	105,243
Other long-term benefits	6,947	-
Termination benefits	-	-
Total(b)	**1,363,278**	**1,251,211**

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).

Transactions and balances with key management personnel and other related parties

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

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

During the year, MMA provided services to the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) under terms and conditions equivalent for those that prevail in arm's length transactions. The transactions involved site repairs, car parking, site access fees and tenancy repair works with an aggregated value of $24,000.

MMA had both loans and deposits with Treasury Corporation of Victoria (TCV) during the year. MMA paid interest to TCV on loans with an aggregated value of $924,000 (2017: $954,000). TCV paid interest on deposits to MMA with an aggregated value of $551,000 (2017: $578,000).

8.6 REMUNERATION OF AUDITORS

($ dollars)

	2018	*2017*
Victorian Auditor-General's Office		
Audit or review of financial statements	41,000	48,500
Total remuneration of auditors	**41,000**	**48,500**

8.7 SUBSEQUENT EVENTS

MMA is not aware of any subsequent events.

8.8 OTHER ACCOUNTING POLICIES

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

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

8.9 AUSTRALIAN ACCOUNTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE

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

Certain new Australian Accounting Standards (AAS) have been published which are not mandatory for the 30 June 2018 reporting period. DTF assesses the impact of all these new standards and advises MMA of their applicability and early adoption where applicable. Below is the detailed list of the AASs issued but are not yet effective for the 2017-18 reporting period.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on MMA financial statements
AASB 9 *Financial Instruments*	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise expected impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. The initial application of AASB 9 is not expected to significantly impact the financial position however there will be a change to the way financial instruments are classified and new disclosure requirements.
AASB 2014-1 *Amendments to Australian Accounting Standards [Part E Financial Instruments]*	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018, and to amend reduced disclosure requirements.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9*	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 15 *Revenue from Contracts with Customers*	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015-8 *Amendments to Australian Accounting Standards - Effective Date of AASB 15* has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1 Jan 2019	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on MMA financial statements
AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*	Amends the measurement of trade receivables and the recognition of dividends as follows: - Trade receivables that do not have a significant financing component, are to be measured at their transaction price, at initial recognition.	1 Jan 2018, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 Jan 2018	This amending standard will defer the application period of AASB 15 for forprofit entities to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2016-3 *Amendments to Australian Accounting Standards - Clarifications to AASB 15*	This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: - a promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; - for items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and - for licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified for AASB 15 above.
AASB 20106-7 *Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities*	This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 Jan 2019	This amending standard will defer the application period of AASB 15 for for-profit entities to the 2019-20 reporting period.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on MMA financial statements
AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*	AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit-entities into AASB 9 and AASB 15. This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transaction and events.	1 Jan 2019	This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context. The asreas within these standards that are amended for not-for-profit application include: *AASB 9* - Statutory receivables are recognised and measured similarly to financial assets *AASB 15* - The 'customer' does not need to be the recipient of goods and/or services - The 'contract' could inlcude an arrangement entered into under the direction of another party; - Contracts are enforceable if they are enforceable by legal or 'equivalent means'; - Contracts do not have to have commercial substance, only economic substance; and - Performance obligations need to be 'sufficiently specific' to be able to apply AASB 15 to these transactions.
AASB 16 *Leases*	The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet.	1 Jan 2019	The assessment has indicated that most operating leases, with exception of short term and low value leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability. In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge. There will be no change for lessors as the classification of operating and finance leases remains unchanged.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on MMA financial statements
AASB 1058 *Income of Not-for-Profit Entities*	AASB 1058 standard will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 *Contributions*. The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context, AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for- profit entities to further their objective.	1 Jan 2019	The current revenue recognition for grants is to recognise revenue up front upon receipt of the funds. This may change under AASB 1058, as capital grants for the construction of assets will need to be deferred. Income will be recognised over time, upon completion and satisfaction of performance obligations for assets being constructed, or income will be recognised at a point in time for acquisition of assets. The revenue recognition for operating grants will need to be analysed to establish whether the requirements under other applicable standards need to be considered for recognition of liabilities (which will have the effect of deferring the income associated with these grants). Only after that analysis would it be possible to conclude whether there are any changes to operating grants. The impact on current revenue recognition of the changes is the phasing and timing of revenue recorded in the profit and loss statement.

8.10 GLOSSARY OF TECHNICAL TERMS

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

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

(a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and

(b) the effects of changes in actuarial assumptions.

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

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

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

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

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

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

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

Financial asset is any asset that is:

(a) cash;

(b) an equity instrument of another entity;

(c) a contractual right:

- to receive cash or another financial asset from other entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

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

- a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

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

Financial liability is any liability that is:

(a) an contractual obligation:

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

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

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

Financial statements in the Model Report comprise:

(a) a balance sheet as at the end of the period;

(b) a comprehensive operating statement for the period;

(c) a statement of changes in equity for the period;

(d) a cash flow statement for the period;

(e) notes, comprising a summary of significant accounting policies and other explanatory information;

(f) comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 *Presentation of Financial Statements*; and

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

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

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

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

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

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

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

Other economic flows included in the net result are changes in the volume or value of an asset or liability that do not result from transactions. In simple terms, other economic flows are changes arising from market remeasurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal.

Other economic flows - other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards. They include change in physical asset revaluation surplus; share of net movement is revaluation surplus of associates and joint ventures; and gains and losses on remeasuring available-for-sale financial assets.

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

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

Receivables include amounts owing from government through appropriation receivable, short and long-term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

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

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

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

8.11 STYLE CONVENTIONS

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

The notation used in the tables is as follows:

.. zero, or rounded to zero

(xxx) negative number

201x year

201x 0x year period

The financial statements and notes are presented based on the illustration for a government department in the 2017-18 *Model Report for Victorian Government Departments*. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publication of the Department's annual reports.

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