

FINANCIAL STATEMENTS

2003-2004

MELBOURNE MARKET AUTHORITY





AUDITOR GENERAL
VICTORIA

AUDITOR-GENERAL'S REPORT

To the Members of the Parliament of Victoria, responsible Ministers and Members of the Board of Melbourne Market Authority

Matters relating to the electronic presentation of the Audited Financial Report

This audit report relates to the financial report of Melbourne Market Authority for the financial year ended 30 June 2004 included on its web site. The Members of the Board are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The audit report refers only to the statements named below. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Audit Scope

The accompanying financial report of Melbourne Market Authority for the financial year ended 30 June 2004, comprising statement of financial performance, statement of financial position, statement of cash flows and notes to the financial statements, has been audited. The Members of the Board are responsible for the preparation and presentation of the financial report and the information it contains. An independent audit of the financial report has been carried out in order to express an opinion on it to the Members of the Parliament of Victoria, responsible Ministers and Members of the Board as required by the *Audit Act 1994*.

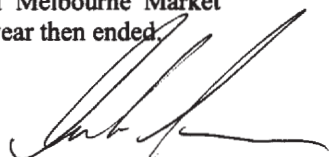
The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. The audit procedures included an examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act 1994*, so as to present a view which is consistent with my understanding of the Authority's financial position, and its financial performance and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act 1994*, the financial position of Melbourne Market Authority as at 30 June 2004 and its financial performance and cash flows for the year then ended.

MELBOURNE
14 September 2004


J.W. CAMERON
Auditor-General

MELBOURNE MARKET AUTHORITY

Statements of Financial Performance for the year ended 30 June 2004

	Notes	Consolidated		The Authority	
		2004 \$	2003 \$	2004 \$	2003 \$
Revenue from ordinary activities					
Rental income		15,379,405	14,747,193	15,379,405	14,747,193
Interest on investments		97,145	60,390	97,145	60,390
Other revenue		477,897	465,785	477,897	453,977
Revenue from government	2	5,000	5,000	5,000	5,000
Proceeds on sale of property, plant & equipment	3	163,407	191,794	163,407	191,794
		16,122,854	15,470,162	16,122,854	15,458,354
Expenses from ordinary activities					
Employee benefits expense		(3,020,931)	(4,256,653)	(3,020,931)	(3,167,169)
Depreciation expense	3	(2,690,912)	(2,452,762)	(2,690,912)	(2,299,268)
Grants and other payments to service providers		(79,933)	(91,104)	(79,933)	(91,104)
Supplies and services		(6,074,242)	(6,708,357)	(6,074,242)	(6,381,377)
Written down value of assets disposed	3	(175,554)	(99,324)	(175,554)	(99,324)
Borrowing costs	3	(782,902)	(824,677)	(782,902)	(824,677)
Other expenses		(308,920)	-	-	-
Loss from Fresh Chain project					
- Provision for diminution in subsidiary loan		-	-	-	(1,901,626)
		(13,133,394)	(14,432,877)	(12,824,474)	(14,764,545)
Profit / (Loss) attributable to parent entity	10(d)	2,989,460	1,037,285	3,298,380	693,809
Net Profit / (Loss)		2,989,460	1,037,285	3,298,380	693,809
Net increase in asset revaluation reserve		-	13,442,163	-	13,442,163
Decrease in retained profits on adoption of the revised AASB 1028 "Employee Benefits"	10(d)	-	(4,527)	-	(4,527)
Total changes in equity other than those directly resulting from transactions with owners		2,989,460	14,474,921	3,298,380	14,131,445

The above statement of financial performance should be read in conjunction with the accompanying notes.

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Statements of Financial Position as at 30 June 2004

	Notes	Consolidated		The Authority	
		2004 \$	2003 \$	2004 \$	2003 \$
Current Assets					
Cash Assets	6	1,703,116	916,207	1,703,116	914,387
Receivables		146,355	44,761	146,355	44,761
Prepayments		245,995	254,000	245,995	254,000
Total Current Assets		2,095,466	1,214,968	2,095,466	1,213,148
Non-Current Assets					
Property, plant and equipment	7	75,001,757	77,420,681	75,001,757	77,420,681
Software development costs	4	-	307,099	-	-
Total Non-Current assets		75,001,757	77,727,780	75,001,757	77,420,681
Total Assets		77,097,223	78,942,748	77,097,223	78,633,829
Current Liabilities					
Payables	8	1,979,793	2,257,689	1,979,793	2,257,689
Interest bearing liabilities	9	1,427,716	2,794,441	1,427,716	2,794,441
Employee entitlements	5	285,300	246,187	285,300	246,187
Total Current Liabilities		3,692,809	5,298,317	3,692,809	5,298,318
Non-Current Liabilities					
Employee entitlements	5	203,679	168,275	203,679	168,275
Interest bearing liabilities	9	4,085,503	7,350,384	4,085,503	7,350,384
Total Non-Current Liabilities		4,289,182	7,518,659	4,289,182	7,518,659
Total Liabilities		7,981,991	12,816,976	7,981,991	12,816,977
Net Assets		69,115,232	66,125,772	69,115,232	65,816,852
Equity					
Reserves	10(a)	36,436,493	36,436,493	36,436,493	36,436,493
Contributed Equity	10(b)	38,165,207	38,165,207	38,165,207	38,165,207
Accumulated Loss	10(d)	(5,486,468)	(8,475,928)	(5,486,468)	(8,784,848)
Total Equity	10	69,115,232	66,125,772	69,115,232	65,816,852

The above statement of financial position should be read in conjunction with the accompanying notes

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Statement of Cash Flows for the year ended 30th June 2004

	Notes	Consolidated		The Authority	
		2004	2003	2004	2003
		\$	\$	\$	\$
Cash Flows from operating activities					
Receipts from government	2	5,000	5,000	5,000	5,000
Receipts from customers		15,889,620	15,614,959	15,889,620	15,603,150
Interest income received		97,145	60,390	97,145	60,390
Payments to suppliers & employees		(9,504,393)	(12,148,305)	(9,504,393)	(12,483,473)
Borrowing cost expense		(782,902)	(824,677)	(782,902)	(824,677)
Net cash provided by (used in) operating activities	20	5,704,470	2,707,367	5,704,470	2,360,390
Cash Flows from investing activities					
Payment for computer software development		-	(195,798)	-	-
Payment for property, plant & equipment		(447,542)	(1,755,304)	(447,542)	(1,601,810)
Proceeds from sale of plant & equipment		163,407	191,794	163,407	191,794
Proceeds from (payments for) sale of investments		(824,902)	524,130	(824,902)	524,130
Net cash provided by (used in) investing activities		(1,109,037)	(1,235,178)	(1,109,037)	(885,886)
Cash Flows from financing activities					
Repayment of borrowings		(4,633,425)	(2,370,858)	(4,631,606)	(2,370,858)
Proceeds from borrowings		-	1,000,000	-	1,000,000
Net cash provided (used in) financing activities		(4,633,425)	(1,370,858)	(4,631,606)	(1,370,858)
Net Increase (decrease) in cash held		(37,992)	101,331	(36,172)	103,646
Cash at beginning of the year		516,207	414,876	514,387	410,741
Cash at end of the financial year	6	478,215	516,207	478,215	514,387

The above statement of cash flows should be read in conjunction with the accompanying notes

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Notes to the Financial Statements 30 June 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared on an accrual basis in accordance with the *Financial Management Act 1994*, Australian Accounting Standards, Statement of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group Consensus Views.

The financial report is prepared in accordance with the historical cost convention, except for certain assets and liabilities which, as noted, are at fair value. The accounting policies adopted and the classification and presentation of items are consistent with those of the previous year, except where a change is required to comply with an Australian Accounting Standard or Urgent Issues Group Consensus view, or an alternative accounting policy permitted by an Australian Accounting Standard, is adopted to improve the relevance and reliability of the financial report. Where practicable, comparative amounts are presented and classified on a basis consistent with the current year.

Set out below is a summary of the significant accounting policies adopted by the Melbourne Market Authority in the preparation of the financial statements.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Melbourne Market Authority (the Authority) as at 30 June 2004 and the results of the controlled entity for the year then ended. The Authority and its controlled entity (Fresh Chain Limited) together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of the controlled entity are disclosed separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during the financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

(b) Cash

For the purpose of the statement of cash flows, cash at bank and on hand represents cash at 30 June 2004.

(c) Acquisition of Assets

The cost method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

(d) Revenue Recognition

Rent revenue is recognised in accordance with AAS17 'Leases' allocating minimum lease payments on a basis representative of the pattern of service rendered through the provision of the leased assets.

Revenue from the sale of goods is recognised upon the delivery of the goods to customers.

Interest revenue is recognised on an accruals basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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Notes to the Financial Statements 30 June 2004 (continued)

(e) Receivables

All debtors are recognised at the amounts receivable as they are due for settlement at no more than 30 days from the date of recognition.

Collectibility of debtors is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(f) Revaluation of Non-Current Physical Assets

Subsequent to initial recognition as assets, non-current physical assets, other than plant and equipment, are measured at fair value. Plant and equipment are measured at cost. Revaluations are made with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value at the reporting date. Revaluations are assessed annually and supplemented by individual assessments, at least every three-years. Revaluations are conducted in accordance with the Victorian Government Policy - *Revaluation of Non-Current Physical Assets*.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as a revenue in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets.

(g) Other Financial Assets – Investments

Investments in unlisted securities are recognised at cost and dividend income is recognised in the statement of financial performance when receivable.

The Authority has an investment in a controlled entity Fresh Chain Limited. The investment is carried at recoverable amount. Controlled entities are accounted for in the consolidated financial statements as set out in note 1(a).

(h) Depreciation of Property, Plant and Equipment

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over its expected useful life to the consolidated entity. The expected useful lives for the financial years ending 30 June 2004 and 30 June 2003 are as follows:

	Depreciation Rates	Useful Life
Buildings	4%	25 years
Computer equipment	33%	3 years
Motor vehicles	17.5%	6 years
Software	33.3% to 40%	2.5 to 3.3 years
Market equipment	17.5%	6 years
Office furniture	5.0% to 17%	6 to 20 years

Where items of plant and equipment have separately identifiable components that are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

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Notes to the Financial Statements 30 June 2004 (continued)

(i) Non-current Assets Constructed by the Authority

The cost of non-current assets self-constructed by the Authority includes the cost of all materials used in construction, direct labour on the project, borrowing costs incurred during construction and an appropriate proportion of variable and fixed overhead.

Borrowing costs included in the cost of non-current assets are those costs that would have been avoided if the expenditure on the construction of the assets had not been made. Borrowing costs incurred while active construction is interrupted for extended periods are recognised as expenses.

(j) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Maintenance and Repairs

Plant of the consolidated entity is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are recognised as expenses as incurred, except where they extend the capacity of the plant, in which case the costs are capitalised and depreciated in accordance with note 1(h). Other routine operating maintenance, repair costs and minor renewals are also recognised as expenses as incurred.

(l) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable, in which case it is recognised as part of the cost of acquisition of the asset or as part of an item of expense. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a part of receivables or payables in the statement of financial position. The GST component of a receipt or payment is recognised on a gross basis in the statement of cash flows in accordance with Australian Accounting Standard AAS 28 *Statement of Cash Flows*.

(m) Employee Benefits

(i) Wages, Salaries and Annual Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured as the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long Service Leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with *(i)* above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national Government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation

The amount charged to the statement of financial performance in respect of superannuation represents the contributions made by the Authority to the superannuation fund.

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Notes to the Financial Statements 30 June 2004 (continued)

(iv) *Termination Benefits*

Liabilities for termination benefits are recognised when a detailed plan for terminations has been developed and a valid expectation has been raised in those employees affected that the termination will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as a provision.

Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as estimated cash outflows, discounted using interest rates on national Government guaranteed securities with terms to maturity that match closely as possible, the estimated future cash outflows.

(v) *Employee Benefit On-Costs*

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(n) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred except where they are included in the cost of qualifying assets. Borrowing costs include interest on bank overdrafts, short-term and long-term borrowings, and finance lease charges.

(o) Interest Bearing Liabilities

Loans are carried at historical cost. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(p) Recoverable Amount

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in the net result for the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present values.

(q) Rounding of Amounts

Amounts in the Financial Report have been rounded to the nearest thousand dollars, or in other cases to the nearest dollar.

(r) Contributed Capital

For the reporting period ended 30 June 2002, the entity transferred its operating accumulated surplus of \$28,343,848 to contributed capital. This accounting treatment is to comply with Urgent Issues Group Abstract 38 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* and Accounting and Financial Reporting Bulletin No.39 *Accounting for Contributed Capital* and No.40 *Establishment of Opening Balances and Formal Designation for Contributed Capital*.

(s) Going Concern

Notwithstanding that the Authority and the consolidated entity are in a net current asset deficiency position, the financial statements have been properly prepared on a going concern basis as the directors believe the Authority and consolidated entity are in a position to meet all financial obligations as and when they fall due.

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Notes to the Financial Statements 30 June 2003 (continued)

NOTE 2. REVENUE

Conditional Grants

The Authority received the following grants from Government: 2004 - \$5,000 (2003 - \$5,000).

Victorian Department of Industry, Innovation and Regional Development

A grant of 2004 - \$5,000 (2003 - \$5,000) was received from the Department as a silver sponsorship for the Regional Retailer of the year awards.

NOTE 3. RESULT FROM ORDINARY ACTIVITIES

	Consolidated		The Authority	
	2004	2003	2004	2003
	\$	\$	\$	\$
Results from ordinary activities includes the following specific net gains and expenses				
Net Gains / (Losses)				
Proceeds from sale of Property, Plant and Equipment	163,407	191,794	163,407	191,794
Written down value of assets disposed	(175,554)	(99,324)	(175,554)	(99,324)
Net gain / (loss) on disposal of Property, Plant and Equipment	<u>(12,147)</u>	<u>92,470</u>	<u>(12,147)</u>	<u>92,470</u>
Expenses				
Depreciation				
Buildings	1,743,905	1,310,123	1,743,905	1,310,123
Plant and Equipment	947,007	989,145	947,007	989,145
Information Technology Assets - <i>freshchain</i> trading system and related products	-	153,494	-	-
Total Depreciation	<u>2,690,912</u>	<u>2,452,762</u>	<u>2,690,912</u>	<u>2,299,268</u>
Borrowing Costs				
Interest and finance charges paid / payable	<u>782,902</u>	<u>824,667</u>	<u>782,902</u>	<u>824,667</u>
Employee Benefits				
Leave entitlements	<u>480,705</u>	<u>212,424</u>	<u>480,705</u>	<u>197,392</u>

NOTE 4. SOFTWARE DEVELOPMENT COSTS

	Consolidated		The Authority	
	2004	2003	2004	2003
	\$	\$	\$	\$
Computer software development costs - <i>freshchain</i>	-	514,621	-	-
- Less accumulated depreciation	-	(207,522)	-	-
	<u>-</u>	<u>307,099</u>	<u>-</u>	<u>-</u>

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Notes to the Financial Statements 30 June 2004 (continued)

NOTE 5. PROVISIONS

	Consolidated		The Authority	
	2004	2003	2004	2003
	\$	\$	\$	\$
Current				
Employee entitlements				
- Annual leave	227,990	202,395	227,990	202,395
- Long service leave	57,310	43,792	57,310	43,792
	285,300	246,187	285,300	246,187
Non-Current				
Employee entitlements				
- Long service leave	203,679	168,275	203,679	168,275
	203,679	168,275	203,679	168,275
Aggregate Carrying Amount of Provision				
Current	285,300	246,187	285,300	246,187
Non - current	203,679	168,275	203,679	168,275
	488,979	414,462	488,979	414,462

NOTE 6. CASH ASSETS

	Consolidated		The Authority	
	2004	2003	2004	2003
	\$	\$	\$	\$
Cash at bank and on hand	478,215	516,207	478,215	514,387
Short term deposits with TCV	950,388	67,000	950,388	67,000
Funds held in trust	274,513	333,000	274,513	333,000
	1,703,116	916,207	1,703,116	914,387

For the purpose of the statement of cash flows, cash at bank and on hand represents cash at 30 June 2004.

Short-term deposits

The deposits are bearing floating interest rates between 4.65% and 5.15% (2003 - 3.7% and 4.65%).

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Notes to the Financial Statements 30 June 2004 (continued)

NOTE 7. PROPERTY PLANT AND EQUIPMENT

	Consolidated		The Authority	
	2004	2003	2004	2003
	\$	\$	\$	\$
Land and Buildings				
<i>Freehold Land</i>				
At independent Valuation 30 June 2003	36,700,000	36,700,000	36,700,000	36,700,000
	36,700,000	36,700,000	36,700,000	36,700,000
Buildings and Improvements				
At independent Valuation 30 June 2003	38,800,000	38,800,000	38,800,000	38,800,000
At cost	65,285	-	65,285	-
Less: Accumulated Depreciation	(1,743,905)	-	(1,743,905)	-
	37,121,380	38,800,000	37,121,380	38,800,000
Plant and Equipment				
Office Furniture, Plant and Equipment (at Cost)	606,218	574,672	606,218	574,672
Less: Accumulated Depreciation	(491,600)	(420,399)	(491,600)	(420,399)
	114,618	154,273	114,618	154,273
Market Equipment (at cost)	4,082,136	4,031,502	4,082,136	4,031,502
Less: Accumulated Depreciation	(3,678,165)	(3,237,249)	(3,678,165)	(3,237,249)
	403,971	794,253	403,971	794,253
Computer equipment (at cost)	1,158,669	1,049,577	1,158,669	1,049,577
Less: Accumulated Depreciation	(839,437)	(497,658)	(839,437)	(497,658)
	319,232	551,920	319,232	551,920
Motor Vehicles (at cost)	530,078	573,019	530,078	573,019
Less: Accumulated Depreciation	(187,522)	(152,783)	(187,522)	(152,783)
	342,556	420,236	342,556	420,236
Buildings Plant and Equipment in the course of construction	-	-	-	-
Total Plant and Equipment	1,180,377	1,920,681	1,180,377	1,920,681
Total Property, Plant and Equipment	75,001,757	77,420,681	75,001,757	77,420,681

Valuation of Land and Buildings

The basis of valuation of land and buildings adopted as at 30 June 2004 is fair value being the depreciated current replacement cost of the asset's remaining future economic benefits. The latest revaluations as at 30 June 2003 were based on independent assessments by URBIS Consulting property advisors.

MELBOURNE MARKET AUTHORITY

Notes to the Financial Statements 30 June 2004 (continued)

NOTE 7. PROPERTY PLANT AND EQUIPMENT (contd.)

Reconciliations

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below.

	Freehold land \$000	Buildings \$000	Office Furn & Equip. \$000	Computer Equipment \$000	Market Equipment \$000	Motor Vehicles \$000	In Course of Const'n \$000	Total \$000
Year 2004:								
The Authority								
Carrying amount at start of year	36,700	38,800	154	551	794	420	-	77,420
Additions	-	65	32	109	51	191	-	448
Disposals	-	-	-	-	-	(176)	-	(176)
Revaluation increments	-	-	-	-	-	-	-	-
Depreciation expense	-	(1,744)	(71)	(342)	(441)	(93)	-	(2,691)
Carrying amount at end of year	36,700	37,121	115	319	404	342	-	75,001
Consolidated								
Carrying amount at start of year	36,700	38,800	154	551	794	420	-	77,420
Additions	-	65	32	109	51	191	-	448
Disposals	-	-	-	-	-	(176)	-	(176)
Revaluation increments	-	-	-	-	-	-	-	-
Depreciation expense	-	(1,744)	(71)	(342)	(441)	(93)	-	(2,691)
Carrying amount at end of year	36,700	37,121	115	319	404	342	-	75,001
Year 2003:								
The Authority								
Carrying amount at start of year	31,600	30,512	212	658	1,353	430	10	64,775
Additions	-	1,240	3	68	22	279	-	1,612
Disposals	-	-	2	98	(5)	(195)	(10)	(110)
Revaluation increments	5,100	8,342	-	-	-	-	-	13,442
Depreciation expense	-	(1,294)	(63)	(273)	(576)	(94)	-	(2,299)
Carrying amount at end of year	36,700	38,800	154	551	794	420	-	77,420
Consolidated								
Carrying amount at start of year	31,600	30,512	212	658	1,353	430	10	64,775
Additions	-	1,240	3	68	22	279	-	1,612
Disposals	-	-	2	98	(5)	(195)	(10)	(110)
Revaluation increments	5,100	8,342	-	-	-	-	-	13,442
Depreciation expense	-	(1,294)	(63)	(273)	(576)	(94)	-	(2,299)
Carrying amount at end of year	36,700	38,800	154	551	794	420	-	77,420

MELBOURNE MARKET AUTHORITY

Notes to the Financial Statements 30 June 2004 (continued)

NOTE 8. PAYABLES

	Consolidated		The Authority	
	2004	2003	2004	2003
	\$	\$	\$	\$
Trade creditors and sundry accruals	523,988	876,440	523,988	876,440
Rentals in advance	1,181,292	1,047,380	1,181,292	1,047,380
Tenant bonds, retention monies, unearned income	274,513	333,870	274,513	333,870
	1,979,793	2,257,689	1,979,793	2,257,689

NOTE 9. INTEREST BEARING LIABILITIES

	Consolidated		The Authority	
	2004	2003	2004	2003
	\$	\$	\$	\$
Current				
Interest bearing liabilities with financial institutions	1,427,716	2,307,995	1,427,716	2,307,995
Finance leases - lease liability	-	336,574	-	336,574
Operating lease provided for	-	149,872	-	149,872
	1,427,716	2,794,441	1,427,716	2,794,441
Non-Current				
Interest bearing liabilities with financial institutions	4,085,503	7,350,384	4,085,503	7,350,384
	4,085,503	7,350,384	4,085,503	7,350,384
Aggregate carrying amount of interest bearing liabilities				
Current	1,427,716	2,794,441	1,427,716	2,794,441
Non-Current	4,085,503	7,350,384	4,085,503	7,350,384
	5,513,219	10,144,825	5,513,219	10,144,825

MELBOURNE MARKET AUTHORITY

Notes to the Financial Statements 30 June 2004 (continued)

NOTE 10. EQUITY AND MOVEMENTS IN EQUITY

	Consolidated		The Authority	
	2004	2003	2004	2003
	\$	\$	\$	\$
(a) Reserves				
Asset Revaluation Reserve - Land	28,870,068	28,870,068	28,870,068	28,870,068
Asset Revaluation Reserve - Buildings	7,566,425	7,566,425	7,566,425	7,566,425
	36,436,493	36,436,493	36,436,493	36,436,493
Movements - Land				
Asset revaluation reserve				
Balance at the beginning of the finance year	28,870,068	23,770,068	28,870,068	23,770,068
Revaluation increment of freehold land and buildings during the year	-	5,100,000	-	5,100,000
Balance 30 June 2004	28,870,068	28,870,068	28,870,068	28,870,068
Movements - Buildings				
Asset revaluation reserve				
Balance at the beginning of the finance year	7,566,425	(775,738)	7,566,425	(775,738)
Revaluation increment of freehold land and buildings during the year	-	8,342,163	-	8,342,163
Balance 30 June 2004	7,566,425	7,566,425	7,566,425	7,566,425
(b) Contributed Capital				
Balance at the beginning of the financial year	38,165,207	38,165,207	38,165,207	38,165,207
Balance 30 June 2004	38,165,207	38,165,207	38,165,207	38,165,207
(c) Minority Interests				
Capital contribution from investor	-	150,000	-	-
Minority interest in net result	-	(150,000)	-	-
Minority interest in controlled entity	-	-	-	-
(d) Accumulated Deficit				
Accumulated Deficit at the beginning of the financial year	(8,475,928)	(9,508,688)	(8,784,848)	(9,474,130)
Net result for the reporting period	2,989,460	1,037,285	3,298,380	693,809
Adjustment resulting from change in accounting policy	-	(4,527)	-	(4,527)
Accumulated Deficit at the end of the financial year	(5,486,468)	(8,475,928)	(5,486,468)	(8,784,848)
Total Equity	69,115,232	66,125,772	69,115,232	65,816,852

MELBOURNE MARKET AUTHORITY

Notes to the Financial Statements 30 June 2004 (continued)

NOTE 11. FINANCIAL INSTRUMENTS

(a) Credit Risk Exposures

The credit risk on financial assets of the Authority, which have been recognised on the statement of financial position, is generally the carrying amount.

(b) Interest Rate Risk Exposures

The Authority's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposure arises predominately from assets and liabilities bearing variable interest rates as the Authority intends to hold fixed rate assets and liabilities to maturity.

Year 2004 Authority:	Notes	Floating Interest Rate \$	1 year or less \$	Over 1 to 5 years \$	Non- interest bearing \$	Total \$
Financial Assets						
Cash and deposits receivable	6	1,700,310	-	-	2,806	1,703,116
Receivables		-	-	-	146,355	146,355
		1,700,310	-	-	149,161	1,849,471
Weighted average interest rate		5.39%				
Financial Liabilities						
Trade and other creditors	8	-	-	-	1,979,793	1,979,793
Interest bearing liabilities	9	-	1,427,716	4,085,503	-	5,513,219
Employee entitlements	5	-	-	-	488,979	488,979
		-	1,427,716	4,085,503	2,468,772	7,981,991
Weighted average interest rate			7.38%	6.34%		
Net financial assets (liabilities)		1,700,310	(1,427,716)	(4,085,503)	(2,319,611)	(6,132,520)
Year 2004 Consolidated:						
	Notes	\$	\$	\$	\$	\$
Financial Assets						
Cash and deposits receivable	6	1,700,310	-	-	2,806	1,703,116
Receivables		-	-	-	146,355	146,355
		1,700,310	-	-	149,161	1,849,471
Weighted average interest rate		5.39%				
Financial Liabilities						
Trade and other creditors	8	-	-	-	1,979,793	1,979,793
Interest bearing liabilities	9	-	1,427,716	4,085,503	-	5,513,219
Employee entitlements	5	-	-	-	488,979	488,979
		-	1,427,716	4,085,503	2,468,772	7,981,991
Weighted average interest rate			7.38%	6.34%		
Net financial assets (liabilities)		1,700,310	(1,427,716)	(4,085,503)	(2,319,611)	(6,132,520)

MELBOURNE MARKET AUTHORITY

Notes to the Financial Statements 30 June 2004 (continued)

NOTE 11. FINANCIAL INSTRUMENTS (contd.)

(b) Interest Rate risk Exposures (contd.)

	Notes	Floating Interest Rate \$	1 year or less \$	Over 1 to 5 years \$	Non- interest bearing \$	Total \$
Year 2003 Authority:						
Financial Assets						
Cash and deposits receivable	6	911,481	-	-	2,906	914,387
Receivables		-	-	-	44,761	44,761
		911,481	-	-	47,667	959,148
Weighted average interest rate		4.1%				
Financial Liabilities						
Trade and other creditor	8	-	-	-	2,257,689	2,257,689
Interest bearing liabilities	9	-	2,794,441	7,350,384	-	10,144,825
Employee Entitlements	5	-	-	-	414,462	414,462
		-	2,794,441	7,350,384	2,672,151	12,816,976
Weighted average interest rate			8.4%	7.3%		
Net financial assets (liabilities)		911,481	(2,794,441)	(7,350,384)	(2,624,484)	(11,857,828)
Year 2003 Consolidated:						
Financial Assets						
Cash and deposits receivable	6	913,301	-	-	2,906	916,207
Receivables		-	-	-	44,761	44,761
		913,301	-	-	47,667	960,968
Weighted average interest rate		4.1%				
Financial Liabilities						
Trade and other creditors	8	-	-	-	2,257,689	2,257,689
Interest bearing liabilities	9	-	2,794,441	7,350,384	-	10,144,825
Employee Entitlements	5	-	-	-	414,462	414,462
		-	2,794,441	7,350,384	2,672,151	12,816,976
Weighted average interest rate			8.4%	7.3%		
Net financial assets (liabilities)		913,301	(2,794,441)	(7,350,384)	(2,624,484)	(11,856,008)

MELBOURNE MARKET AUTHORITY

Notes to the Financial Statements 30 June 2004 (continued)

NOTE 11. FINANCIAL INSTRUMENTS (contd.)

(c) Net fair value of financial assets and liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

The carrying amounts and net fair values of financial assets and liabilities at reporting date are:

Consolidated	2004		2003	
	Carrying Amount \$	Net Fair Value \$	Carrying Amount \$	Net Fair Value \$
On - balance sheet financial instruments				
Cash	478,214	478,214	516,207	516,207
Deposits at call	1,224,902	1,224,902	400,000	400,000
Receivables	146,355	146,355	44,761	44,761
Non - traded financial assets	1,849,471	1,849,471	960,968	960,968
Financial liabilities				
Trade creditors	383,827	383,827	751,287	751,287
Other creditors	1,595,966	1,595,966	1,506,403	1,506,403
Interest bearing liabilities	5,513,219	5,513,219	10,144,825	10,144,825
Non - traded financial liabilities	7,493,012	7,493,012	12,402,514	12,402,514

Monetary financial assets and financial liabilities not readily traded on an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to timing of the cash flows. The carrying amounts of bank term deposits, trade debtors, other debtors, accounts payable, bank loans, lease liabilities and employee entitlements approximate net fair value.

Other than those classes of assets and liabilities denoted as "traded", none of the classes of financial assets and liabilities are readily traded on organised markets in standardised form.

Net fair value is exclusive of costs that would be incurred on realisation of an asset, and inclusive of costs, which would be included on settlement of a liability.

MELBOURNE MARKET AUTHORITY

Notes to the Financial Statements 30 June 2004 (continued)

NOTE 12. MINISTERS AND ACCOUNTABLE OFFICERS

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

Names

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

Minister for Agriculture, The Hon. Robert (Bob) Cameron, 1 July 2003 to 30 June 2004

Board Chairman	Mr N J Lowe	1 July 2003 to 30 June 2004
Board Member	Mr M A Babiolakis	1 July 2003 to 30 June 2004
Board Member	Mr P R Cleeland	1 July 2003 to 30 June 2004
Board Member	Ms D L Radford	1 July 2003 to 30 June 2004
Board Member	Mr G Thompson	1 July 2003 to 30 June 2004
Chief Executive	Mr E R Penter	1 July 2003 to 30 June 2004

Remuneration

Remuneration received or receivable by the Accountable Officer in conjunction with the management of the Authority during the reporting period was in the range:
\$210,000 - \$220,000 (\$200,000 to \$210,000 in 2003)

Remuneration received or receivable by responsible persons other than the Accountable Officer.

Income band	2004 Number	2003 Number
\$0 - \$9,999	-	8
\$10,000 to \$19,999	4	-
\$20,000 to \$29,999	1	1
Total numbers	5	9
Total amount	\$87,790	\$67,580

Amounts relating to the Minister are reported in the financial statements of the Department of Premier and Cabinet.

Other Transactions

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

MELBOURNE MARKET AUTHORITY

Notes to the Financial Statements 30 June 2004 (continued)

NOTE 13. REMUNERATION OF EXECUTIVES

The numbers of executive officers, other than the Minister and Accountable Officer, and their total remuneration during the reporting period are shown in the first two columns of the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

(a) The Authority

Income Band	Total Remuneration		Base Remuneration	
	2004 No.	2003 No.	2004 No.	2003 No.
\$100,000 - 109,999	1	-	1	1
\$110,000 - 119,999	-	1	3	3
\$120,000 - 129,999	1	3	1	1
\$130,000 - 139,999	3	1	-	-
\$141,000 - 149,000	1	-	-	-
Total numbers	6	5	5	5
Total amount	\$782,904	\$640,996	\$587,100	\$573,600

(b) Special Projects - Fresh Chain Limited

Income Band	Total Remuneration		Base Remuneration	
	2004 No.	2003 No.	2004 No.	2003 No.
\$100,000 - 109,999	-	1	-	1
\$140,000 - 149,999	-	1	-	1
\$150,000 - 159,999	-	1	-	1
\$270,000 - 279,999	-	1	-	1
Total numbers	-	4	-	4
Total amount	-	\$677,137	-	\$677,137

MELBOURNE MARKET AUTHORITY

Notes to the Financial Statements 30 June 2004 (continued)

NOTE 13. REMUNERATION OF EXECUTIVES (contd.)

(c) Reconciliation of executive officers

Table 1: Number of Executive Officers classified into 'Ongoing' and 'Special Projects'

Class	All		Ongoing		Special Projects	
	No.	Var	No.	Var	No.	Var
Authority	6	-	6	-	-	-
Total	6	-	6	-	-	-

Table 2: Breakdown of Executive Officers into Gender for 'Ongoing' and 'Special Projects'

Class	Ongoing					Special Projects				
	Male		Female		Vacancies	Male		Female		Vacancies
	No	Var	No	Var		No	Var	No	Var	
	4	-	2	-	-	-	-	-	-	-
Total	4	-	2	-	-	-	-	-	-	-

Table 3: Reconciliation of executive numbers

Authority	2004	2003
Executives with remuneration over \$100,000 (note 13(a))	6	5
<i>Add</i> Vacancies (table 2)	-	-
Executives with total remuneration below \$100,000	-	-
Accountable Officer (Secretary)	1	1
<i>Less</i> Separations	-	-
Total Executive numbers at 30 June 2004	7	6
Special Projects	2004	2003
Executives with remuneration over \$100,000 (note 16(b))	-	4
<i>Add</i> Vacancies (table 2)	-	-
Executives with total remuneration below \$100,000	-	2
Accountable Officer (Secretary)	-	1
<i>Less</i> Separations	-	7
Total Executive numbers at 30 June 2004	-	-

MELBOURNE MARKET AUTHORITY

Notes to the Financial Statements 30 June 2004 (continued)

NOTE 14. REMUNERATION OF AUDITORS

	Consolidated		The Authority	
	2004	2003	2004	2003
	\$	\$	\$	\$
Audit fees paid or payable to the Victorian Auditor-General's Office for audit of the Authority's financial report:				
Amounts due and receivable by the Auditor General	33,120	47,794	33,120	47,794

NOTE 15. COMMITMENTS FOR EXPENDITURE

As at 30 June 2004 there were no commitments for expenditure contracted.

NOTE 16. CONTINGENT LIABILITY

As at 30 June 2004 there were no contingent liabilities to report.

NOTE 17. EMPLOYEE ENTITLEMENTS

(a) Government Employee's Superannuation Fund

No liability is recognised in the statement of financial position for the Department's share of the State's unfunded superannuation liability. The State's unfunded superannuation liability has been reflected in the financial statements of the Department of Treasury and Finance.

However, superannuation contributions for the reporting period are included as part of salaries and associated costs in the statement of financial performance of the Authority.

The name and details of the major employee superannuation funds and contributions made by the Authority are as follows:

	Consolidated		The Authority	
	2004	2003	2004	2003
	\$	\$	\$	\$
Australian Primary Super Fund	179,823	316,050	179,823	348,050
Vic Super Pty Ltd	25,129	10,979	25,129	10,979
Colonial Master Fund	21,139	20,387	21,139	20,387
MLC Limited	13,650	19,937	13,650	19,937
Wealthtrac Super Master Trust	13,520	-	13,520	-
Superannuation Trust of Australia	6,591	6,013	6,591	6,013
Zurich Financial Services	4,755	5,909	4,755	5,909
Australian Primary Super Fund	2,646	-	2,646	-
N&E Lowe Super Fund	2,430	-	2,430	-
AXA Super Directions	2,323	3,805	2,323	3,805
Colonial Mutual Life Ass Ltd	2,160	-	2,160	-
ASGARD - ASA	1,215	3,287	1,215	3,287
Westpac Securities Admin Ltd	1,215	180	1,215	180
Viva Super	1,215	-	1,215	-
AMP Life Ltd	1,200	3,941	1,200	3,941
SMF Funds Management	623	-	623	-
Austsafe Pty Ltd	477	-	477	-
Perpetual Nominees Ltd - The Select Fund	-	16,604	-	16,604
Permanent Trustee Co	-	1,800	-	1,800
Pitard Superfund Account	-	371	-	371

MELBOURNE MARKET AUTHORITY

Notes to the Financial Statements 30 June 2004 (continued)

NOTE 17. EMPLOYEE ENTITLEMENTS (contd.)

(b) Number of employees at the reporting date

	Consolidated		The Authority	
	2004	2003	2004	2003
Payroll employees				
Staff	35	41	35	41
Board Members	5	5	5	5
Total	40	46	40	46

The present values of employee entitlements not expected to be settled within 12 months of reporting date have been calculated using the following weighted averages:

	Consolidated		The Authority	
	2004	2003	2004	2003
Assumed rate of increase in wage and salary rates	3.25%	4.75%	3.25%	4.75%
Discount rate	5.23%	4.58%	5.23%	4.58%
Settlement term (years)	10	10	10	10

NOTE 18 SEGMENT INFORMATION

The consolidated entity operates predominantly in the Victorian Horticultural industry. The consolidated entity's operations and customers are located predominantly in Victoria. The consolidated entity provides landlord services.

NOTE 19 EVENTS OCCURRING AFTER REPORTING DATE

Subsequent to the reporting date of 30 June 2004 the following events occurred:

1. Liquidation of Fresh Chain Limited

Fresh Chain Limited was put into liquidation on 8 September 2004.

2. Impact of adopting AASB equivalents to IASB standards

For reporting periods beginning on or after 1 January 2005, all Australian reporting entities are required to adopt the financial reporting requirements of the Australian equivalents to International Financial Reporting Standards (IFRS). This requirement also extends to any comparative financial information included within the report. The first day of the comparative period, 1 July 2004, effectively becomes the transition date for the Authority. Any adjustments arising from changes in the recognition or measurement of assets and liabilities at the transition date arising from the adoption of IFRS will be made against accumulated funds at the transition date.

MELBOURNE MARKET AUTHORITY

Notes to the Financial Statements 30 June 2004 (continued)

The Authority has taken the following steps in managing the transition to Australian equivalents to IFRS:

- Established a steering committee for the oversight of the transition to and implementation of the Australian equivalents to IFRS;
- Reviewed the Authority's current accounting policies and the proposed new standards to identify key issues and the likely impacts resulting from the adoption of Australian equivalents to IFRS;
- Commenced an education and training process for all stakeholders to raise awareness of the changes in reporting requirements and the processes to be undertaken; and
- Initiated reconfiguration and testing of user systems and processes to meet new requirements.

The Authority has identified a number of changes to the existing accounting policies that may have a material impact on the Authority's future financial position and performance following the adoption of the requirements of Australian equivalents to IFRS (the new standards). These include:

- Valuation of assets. In accordance with the *Victorian Government Policy - Revaluation of Non-Current Physical Assets*, the Authority currently measures its non-current physical assets, other than plant, equipment and vehicles, at fair value subsequent to initial recognition. Plant, equipment and vehicles are measured on a cost basis. Revaluations are assessed annually and supplemented by independent assessments at least every three years. The new standard continues to offer a choice for measuring each class of non-current physical assets either at cost or at fair value. However, non-current assets measured at fair value will only be required to be revalued at least every three to five years and all assets in a class must be revalued at the same time. *[For for-profit entities, any asset revaluation increments and decrements must be accounted for on an individual asset basis. Therefore, any revaluation increments must be recognised in the asset revaluation reserve to the extent that the increment reverses a revaluation decrease of the same asset previously recognised in the statement of financial performance, and any revaluation decrement are to be recognised in the statement of financial performance to the extent that the decrement can be offset against the asset revaluation reserve of that specific asset.]* The Victorian government has not yet concluded whether it will make any changes to the valuation basis of any class of asset or the methodology or frequency at which revaluations are performed. The financial effects of any such changes are unknown.
- Impairment of assets. Under the new standards, an asset will be required to be assessed for impairment each year. If indicators of impairment exist, the carrying value of an asset will need to be assessed to ensure that the carrying value does not exceed its recoverable amount, which is the higher of its value-in-use and fair value less costs to sell. For the Authority, value-in-use of an asset is its depreciated replacement cost. *[For for-profit entities, the value-in-use of an asset is the present value of future cash flows.]* Other than inventories, financial assets and assets arising from construction contracts, impairment testing will apply to all assets regardless of whether they are measured on a cost or fair value basis. Where the carrying value of an asset exceeds its recoverable amount, the difference will be written-off as an impairment loss to the statement of financial performance except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of asset. *[For for-profit entities, where the carrying value of an asset exceeds its recoverable amount, the difference will be written-off as an impairment loss to the statement of financial performance except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that specific asset.]* Any impairment losses at transition date will be adjusted against the accumulated funds.
- In addition, a number of other changes in requirements have been identified which are expected to lead to changes in methodology or processes, increased disclosures and possibly changes in measurement of assets or liabilities. The changes are not expected to have a material impact.

MELBOURNE MARKET AUTHORITY

Notes to the Financial Statements 30 June 2004 (continued)

NOTE 20. CASH FLOW RECONCILIATION YEAR ENDED 30 JUNE 2004

	Consolidated		The Authority	
	2004	2003	2004	2003
	\$	\$	\$	\$
(Profit) loss from ordinary activities	2,989,460	1,037,285	3,298,380	693,809
Add (less) items classified as investing/financing activities:				
(Profit)/loss on sale of fixed assets	12,147	(92,470)	12,147	(92,470)
Add (less) non-cash items:				
Depreciation	2,690,912	2,452,762	2,690,912	2,299,268
Other expenses - write off software costs	308,920	-	-	-
Net cash provided by operating activities before change in assets and liabilities	6,001,439	3,397,578	6,001,439	2,900,607
(Increase)/decrease in receivables	(101,594)	522,156	(101,594)	522,156
(Increase)/decrease in prepayments	8,005	(26,768)	8,005	(26,768)
Increase/(decrease) in provisions	74,517	(47,712)	74,517	(47,712)
Increase/(decrease) in rent in advance	133,912	(120,176)	133,912	(120,176)
Increase/(decrease) in payables	(411,809)	(1,017,711)	(411,809)	(867,717)
Increase/(decrease) in other liabilities	-	424,323	-	424,323
Net cash provided by (used in) operating activities	5,704,470	2,707,367	5,704,470	2,360,390

MELBOURNE MARKET AUTHORITY

Notes to the Financial Statements 30 June 2004 (continued)

NOTE 21. DISCONTINUING OPERATION

A controlled entity Fresh Chain Limited, in conjunction with the Authority' and other minor industry investors, were in the process of developing the freshchain online trading and communication system for the Australian fresh fruit and vegetable industry. The intention has been to seek external equity funding for the development of freshchain with the view to listing Fresh Chain Limited with the Authority and other minority shareholders retaining a long-term equity interest.

Since 30 June 2002, capital raising attempts were unsuccessful. The Authority continued to finance the development of *freshchain* by incurring costs of behalf of the project. In September 2002 the Authority significantly reduced funding of the *freshchain* project and sought to recover project expenditure through other avenues. (The date by which the *freshchain* was discontinued within the meaning of AASB 1042 'Discontinuing Operations' is 13 September 2003). The Authority provided undertaking to assist the company to meet its debts until 30 June 2003.

The Fresh Chain Limited Board resolved that all operations of the company cease from the close of business 30 June 2003 and that no further debts be incurred by the company from the close of business 27 June 2003.

The results of the *freshchain* segment for the period 1 July 2003 to 30 June 2004 which have been included in the financial statements of the Authority for 30 June 2004, were as follows:

Consolidated

	2004	2003
	\$	\$
Financial performance information for the period ended 30 June 2004		
Revenue from ordinary activities	-	11,808
Expenses from ordinary activities	-	(1,569,958)
Net loss	-	(1,558,150)
Financial position information at 30 June 2004		
Segment assets	-	308,919
Segment liabilities	-	-
Net assets	-	308,919
Cash flow information for the period ended 30 June 2004		
Cash inflow (outflow) from operating activities	-	(2,315)
Total cash inflow (outflow)	-	(2,315)

MELBOURNE MARKET AUTHORITY

Notes to the Financial Statements 30 June 2004 (continued)

NOTE 21. DISCONTINUING OPERATION (contd.)

Software Development Costs

	Consolidated	
	2004	2003
	\$	\$
Computer software development costs - freshchain	-	514,621
- Less accumulated depreciation	-	(207,522)
	<u>-</u>	<u>307,099</u>

Financial Assets

Shares and loans to controlled entity

	Consolidated	
	2004	2003
	\$	\$
Shares in controlled entity - at cost	8,891,393	3,000,002
- Less Provision for diminution of asset values	(8,891,393)	(3,000,002)
Loan to controlled entity	-	6,312,510
- Less Provision for diminution of asset values	-	(6,312,510)
	<u>-</u>	<u>-</u>

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2004	Equity Holding 2003
Fresh Chain Limited	Australia	Ordinary & convertible, redeemable preference shares	95.7%	88.5%

MELBOURNE MARKET AUTHORITY

Notes to the Financial Statements 30 June 2004 (continued)

NOTE 21. DISCONTINUING OPERATION (contd.)

Freshchain

The controlled entity Fresh Chain Limited, in conjunction with the Authority, has developed over the past four years the *freshchain* online trading and communication system for the Australian fruit and vegetable industry. The intention was to seek external equity funding for the development of *freshchain* with the view to listing Fresh Chain Limited with the Authority retaining a long-term equity interest in the form of ordinary shares and convertible redeemable preference shares that would be redeemable out of the future profits of Fresh Chain Limited.

In September 2002 the Authority significantly reduced funding of the *freshchain* project and continued to seek recovery of project expenditures through other avenues.

On 30 June 2003 Fresh Chain Limited ceased to operate as a unlisted public company. During 2003/04, the remaining assets of Fresh Chain Limited were exchanged for a reduction of the loan owing to the Authority, taking the Authority's holding in Fresh Chain Limited to 95.7%.

The assets of Fresh Chain Limited were offered for sale through open tender during 2003/04. No satisfactory offers for the assets were received. Actions are under way to liquidate the company.

	Consolidated		The Authority	
	2004	2003	2004	2003
	\$	\$	\$	\$
Recognised in the Statement of Financial Position				
Computer software development costs, hardware and finance lease	-	307,099	-	307,099
Operating leases	-	(149,872)	-	(149,872)
Total recognised and unrecognised	-	157,227	-	157,227

MELBOURNE MARKET AUTHORITY

Notes to the Financial Statements 30 June 2004 (continued)

NOTE 21. DISCONTINUING OPERATION (contd.)

Sequence of events:

- 1998 - 1999** Data Fresh and *freshchain* projects began development of an internet based fruit and vegetable trading system
- 1999 - 2000** Data Fresh and *freshchain* were combined
- 2000 - 2001** First *freshchain* information memorandum developed
Capital raising instigated
Fresh Chain Limited incorporated
First capital raising unsuccessful
- 2001 - 2002** Second capital raising instigated through equity interest in public company
Listed company takes up minor shareholding in Fresh Chain Limited
Listed company unable to raise all the required funds, second capital raising unsuccessful
A second Fresh Chain Limited information memorandum developed
A third capital raising instigated
Funds received from investors insufficient to date to support the continued development of Fresh Chain Limited. A submission to borrow a further \$3 million from the government to complete the project was rejected.
The capital raising anticipated did not reach the desired level and the Directors of the Melbourne Market Authority have decided to close the *freshchain* project and provide for the loss of the majority of its assets.
- 2002 - 2003** Ongoing attempts to raise the capital required to fully fund the commercialisation of *freshchain* failed. As a consequence Fresh Chain Limited ceased to operate as an unlisted public company on 30 June 2003. The Authority intends to offer the remaining *freshchain* assets for sale through public tender.
- 2003 - 2004** Fresh Chain Limited and its Assets were offered for sale through open tender. No acceptable offers were received for the *freshchain* assets or the company. The Victorian Auditor-General completed a review of the *freshchain* project during the year, and tabled his findings in the Parliament in May 2004. The Authority as the major shareholder of Fresh Chain Limited is assisting the company directors to complete a member's voluntary liquidation of Fresh Chain Limited.

MELBOURNE MARKET AUTHORITY

Notes to and Forming Part of the Accounts for the Year Ended 30th June 2004

ACCOUNTABLE OFFICER'S DECLARATION

We certify that the attached financial statements for the Melbourne Market Authority and its controlled entity Fresh Chain Limited have been prepared in accordance with Part 9 of the Directions of the Minister for Finance under the Financial Management Act 1994, applicable Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the statement of financial performance, statement of financial position, statement of cash flows and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2004 and financial position of the Authority and the consolidated entity as at 30 June 2004.

We are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed in accordance with a resolution of the Melbourne Market Authority dated 9th day of September 2004.



N J Lowe
Chairperson



E R Penter
Chief Executive



P G McLennan FCPA
Chief Financial Officer

MELBOURNE MARKET AUTHORITY

DISCLOSURE INDEX

The Annual Report of the Melbourne Market Authority is prepared in accordance with the *Financial Management Act 1994* and the Directions of the Minister for Finance. This index facilitates identification of the Authority's compliance with the Directions of the Minister for Finance by listing references to disclosures in this financial report.

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