

Melbourne Market Authority **ANNUAL REPORT** 2010-2011





The Hon. Dr Denis Napthine, MP  
Minister for Major Projects  
Parliament House  
MELBOURNE VIC 3000

Dear Minister

The Melbourne Market Authority (MMA) has pleasure in submitting its Annual Report for the year ending 30 June 2011.

This Report covers the period 1 July 2010 to 30 June 2011. The Board is committed to the continuing development 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 Board's commitment to working with the industry for a sustainable and viable central market.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Neil Lowe', written in a cursive style.

NEIL LOWE  
Chairman

# CONTENTS

|   |    |
|---|----|
| CHAIRMAN'S REPORT.....                    | 3  |
| CHIEF EXECUTIVE OFFICER'S REPORT .....    | 4  |
| MEMBERS OF THE MMA .....                  | 5  |
| ADVISORY COMMITTEES.....                  | 5  |
| ORGANISATIONAL CHART.....                 | 6  |
| OBJECTIVES, FUNCTIONS AND VALUES.....     | 7  |
| VISION & MISSION.....                     | 7  |
| BUSINESS OVERVIEW AND STATISTICS .....    | 8  |
| THE FRUIT, VEGETABLE & FLOWER MARKET..... | 10 |
| THE YEAR IN REVIEW.....                   | 10 |
| TRADING HOURS.....                        | 10 |
| SITE MAINTENANCE.....                     | 10 |
| MARKET OPERATIONS.....                    | 11 |
| MARKETING.....                            | 12 |
| ENVIRONMENT.....                          | 14 |
| GOVERNANCE.....                           | 15 |
| ADMINISTRATION AND MANAGEMENT.....        | 16 |
| FINANCE REPORT .....                      | 18 |

# CHAIRMAN'S REPORT

I AM PLEASED TO REPORT THAT IN THE YEAR UNDER REVIEW THE MELBOURNE MARKET AUTHORITY (MMA) HAS RECORDED A VERY SATISFACTORY FINANCIAL RESULT WITH A NET SURPLUS OF \$8.3 MILLION WHICH HAS CONTINUED TO STRENGTHEN THE BALANCE SHEET AS A NECESSARY ELEMENT IN THE MELBOURNE MARKETS' TRANSITION TO OUR NEW SITE AT EPPING.



This satisfactory result was achieved after meeting budget expectations, delivering affordable rents to our market community and completing a sensible maintenance and capital works program that ensures the current West Melbourne site can operate effectively until the move to the new Epping site in 2014/15.

After a number of years of low rainfall and drought conditions in the horticulture growing regions of Australia, mother nature changed conditions at the start of the year and delivered devastating floods in many of the regions causing huge disruptions and losses to normal horticulture production. Although some sections of the industry are still feeling the devastating impact on the industry, it is slowly moving along the road to recovery.

Margins for wholesalers, grower suppliers of fresh fruit, vegetables and flowers and retail buyers continued to be very tight. However, they all must be congratulated on their efforts, as during the difficult period of supply, high quality Australian produce with plenty of variety was always available to the consumer.

During 2010, the Victorian Government elections were held and we saw a Coalition Government elected. The new Government appointed the Hon. Dr Denis Naphine as Minister for Major Projects and responsible Minister for the MMA. On his appointment, the Minister announced that an exhaustive review would be undertaken to reconsider the Melbourne Markets move to Epping. This review has now been completed with the Minister recently announcing the relocation to Epping. The move will now deliver a vibrant wholesale market, to meet the long term needs of the Market community with completion by 2014/15.

The MMA is fully committed to working with the Department of Business Innovation (DBI) and our tenants to develop a business model that will identify areas for future growth and ensure a successful transition to Epping.

The MMA continues to support a strong marketing program for the fruit, vegetable and flower industries, with a diverse set of marketing strategies, initiatives and promotions. We have continued to promote the fact that fruit and vegetables are a key component to a healthy lifestyle and offer a host of nutritional benefits to the consumer. The MarketFresh Schools Program, delivered across the state, saw 30,614 children participate in the program.

The marketing program also delivered flower promotion events which included the highly successful Mother's Day, Valentines Day and Melbourne Spring Racing Carnival campaigns.

I would like to thank other members of the Board for their commitment during the year, especially our retiring Board members Joanne Anderson and Beverly Honig who both made strong contributions to the MMA over a period of six years. I would also like to thank Management and Staff of the MMA, State Agencies and all Market users for their support they have provided during the year.

I look forward to another interesting year ahead.

A handwritten signature in black ink, which appears to read 'Neil Lowe'. The signature is fluid and cursive, with a large loop at the end.

NEIL LOWE  
Chairman

# CHIEF EXECUTIVE OFFICER'S REPORT

MY TRANSITION INTO THE MELBOURNE WHOLESALE FRUIT, VEGETABLES AND FLOWERS COMMUNITY HAS BEEN AN EXTREMELY EXCITING AND CHALLENGING JOURNEY. IT HAS BEEN AN HONOUR TO WORK WITH THE MARKET COMMUNITY ADDRESSING THE NUMEROUS OPERATIONAL AND RELOCATION ISSUES THAT HAVE PRESENTED OVER THE RECENT MONTHS.

I am pleased to report on another positive financial accounting period resulting in a net surplus of \$8.3 million, this outcome provides a strong balance sheet to support the relocation to the new exciting facility at Epping. The result will also allow for the MMA to plan for the future whilst maintaining the current Footscray Road site fit for purpose.

In 2010, the incoming Coalition government announced that it would carry out an analysis of the Epping relocation project to ensure the economic outcomes of the relocation program were in the best interests of the Market community and the Victorian public as a whole. The review considered all options to ensure the ongoing long term future of the wholesale markets and recently the Hon. Minister Dr Denis Napthine announced that the Market would be relocated to Epping in 2014/15. The Victorian Government is committed to ensuring that it continues to be a significant contributor to the State economy.

During the reporting period considerable economic stress has occurred in the Market community. The abnormal weather patterns caused flooding in many of the important horticultural growing areas and supply of produce was extremely difficult during this period. Also, Cyclone Yasi destroyed large areas of the banana production in Queensland and recovery has been slow due to the recent abnormal cold weather patterns in Queensland. The Market community again, has proven to be extremely resilient during the difficult periods.

Since being appointed to the MMA team, the focus has been on improving management outcomes and operational standards within the Market environment. Considerable effort has been applied to reducing the theft rate in the Market and as a result I am pleased to report that theft in the Market has reduced to record low levels and it has been maintained over a considerable period. Another important initiative has been the concentrated efforts of the MMA team cleaning up the market working environment. Again, substantial changes have occurred and it has been reported that the Market for the past 16 years has never been as clean as it is today. Both these initiatives could not have achieved the outstanding results without the support of the Market community.

Efforts have continued to ensure that the wholesale Market maintains the gains achieved in reducing the environmental footprint. Water consumption remains at low levels and a recent review of the MMA waste management indicated that 66% of Market waste is currently being recycled. This is an outstanding result, but we are committed to further improving our waste management strategies.

Marketing has continued to support the goals and objectives of the Market community. It has been reported that 30,614 school children have attended the MMA MarketFresh schools program during the financial period. Currently, plans are underway to increase the MMA marketing outcomes in support of the Market community. The MMA and wholesale Market community has a large and important role to play in helping Victorians to appreciate the need for them to maintain a healthy lifestyle through the produce it provides and the health related programs it supports.

The financial outcome reported could not have been possible without the support and commitment of the MMA Board members. The retiring Board members Joanne Anderson and Beverly Honig deserve the highest praise for their contribution towards the positive outcomes of the MMA over a long period. Also, the results being reported could not have been possible without the commitment of the MMA team members, Government representatives and the Market community.



ALLAN CROSTHWAITE  
CEO

# MEMBERS OF THE MMA

THE MMA IS ESTABLISHED UNDER THE MELBOURNE MARKET AUTHORITY ACT (THE ACT) 1977 AND REPORTS TO THE MINISTER FOR MAJOR PROJECTS, THE HON. DR DENIS NAPTHINE, MP.

The members of the MMA Board are appointed by the Minister for Major Projects.

**NEIL LOWE** joined the MMA as Chairman on 21 April 2003 and was reappointed for a further 3 years on 17 April 2009. Neil attended 12 Board meetings, 4 Advisory Committee meetings, 3 Remuneration meetings and 2 FARM committee meetings in 2010/11. He also attended numerous Market relocation and industry meetings during the year.

**BRONWYN CONSTANCE** joined the MMA as a Board member on 27 December 2007 and was reappointed on 17 April 2009 for a further 3 years. Bronwyn attended 12 Board meetings and 5 FARM committee meetings in 2010/11.

**NADA KIRKWOOD** joined the MMA as a Board member on 20 October 2010 for a 3 year term. Nada attended 9 Board meetings, 1 Remuneration meeting and 2 FARM committee meetings in 2010/11.

**STEVE MCARTHUR** and **GISELA MARVEN** joined the MMA as Board members on 14 June 2011 and have each attended 1 Board meeting in 2010/11.

**JOANNE ANDERSON** was a Board member from 8 April 2005 to 20 April 2011. Joanne attended 9 Board meetings, 2 Remuneration meetings and 3 FARM committee meetings in 2010/11.

**BEVERLY HONIG** was a Board member from 8 April 2005 to 20 April 2011. Beverley attended 9 Board meetings, 3 Remuneration meetings and 2 FARM committee meetings in 2010/11.

## ADVISORY COMMITTEES

ADVISORY COMMITTEES MEET REGULARLY AND PROVIDE VALUABLE ADVICE TO THE MMA ON MARKET OPERATIONS AND RELATED ISSUES. MEMBERS ARE APPOINTED FOR A THREE-YEAR TERM.

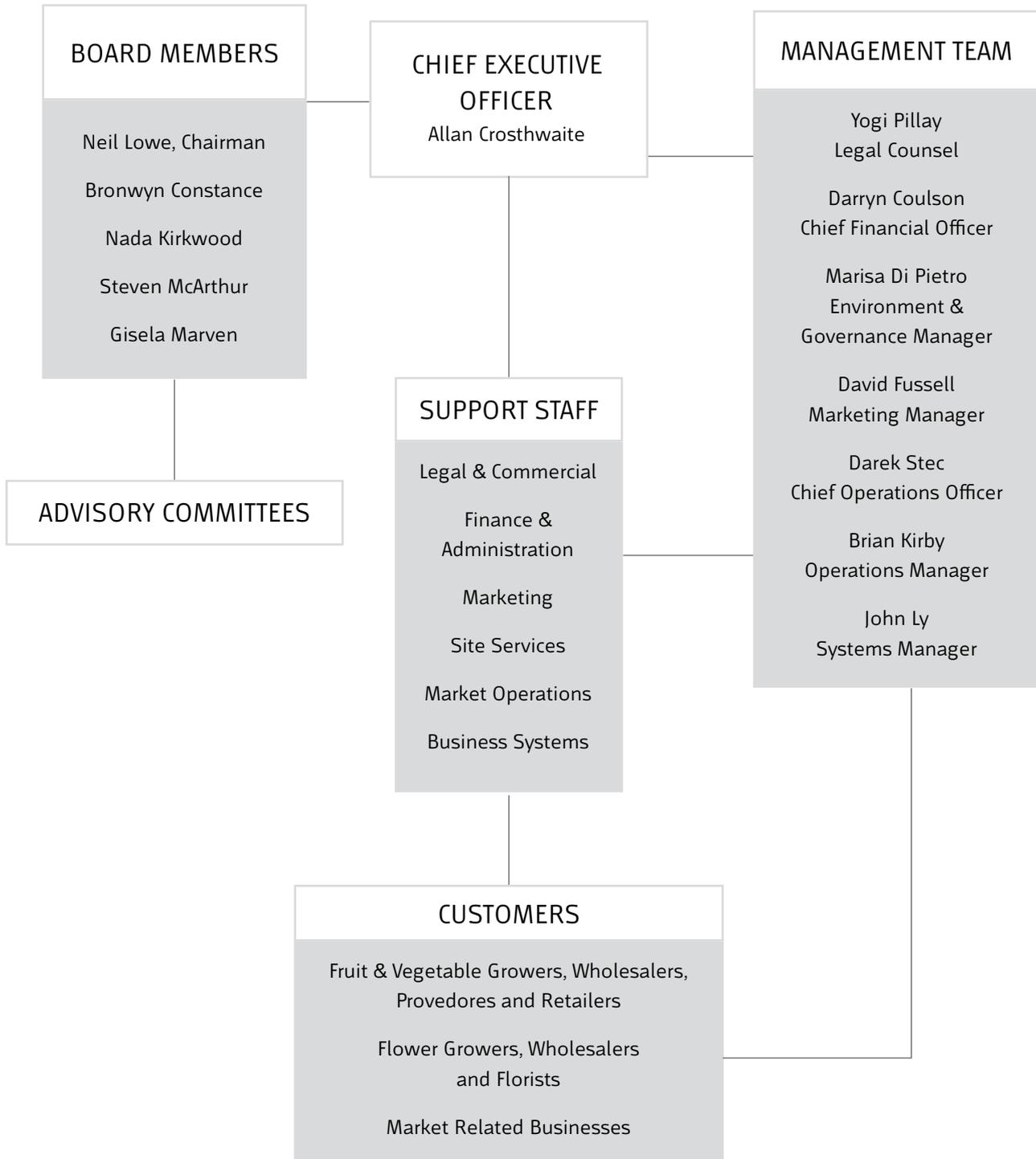
The MMA met with the Advisory Committees during 2010/11 in accordance with the requirements of the Act.

In addition, nominated members and associated industry representatives attended meetings as observers. The Committee members and official observers of the Advisory Committees are:

| Fruit & Vegetable Growers Advisory Committee | Fruit & Vegetable Wholesalers Advisory Committee | Fruit & Vegetable Retailers Advisory Committee | Flower Growers & Florists Advisory Committee |
|--|--|--|--|
| Mr David Wallace (Chairperson)               | Mr Robin Westmore (Chairperson)                  | Mr Paul Ahern (Chairperson)                    | Mr Geoff Maguire (Chairperson)               |
| Mr Luis Gazzola                              | Mr Shane Schnitzler                              | Mr Trevor Wilson                               | Mr John Boon                                 |
| Mr Mark Paganoni                             | Mr Grant Nichol                                  | Mr John Chapman                                | Mr Joe Zappia                                |
| Mr Joe Ruffo                                 | Mr Vince J Brancatisano                          | Mr John Psarakos                               | Mr Peter Koomen                              |
| Mr Gordon Johns                              | Mr Vince Brancatisano                            | Mr Damian Toscano                              | Mr Greg Duffy                                |
| Mr Jack Walker*                              | Mr John Roach*                                   |  | Mr David Palmieri                            |
| Mr Tony Imeson*                              | Mr Alan Guy*                                     |  | Ms Cristina Varrasso                         |
|  | Mr Sam Cutrale*                                  |  | Mr Geoff Irving                              |

\* Observer

# ORGANISATIONAL CHART



# OBJECTIVES, FUNCTIONS & VALUES

## OUR VISION IS:

---

To be the preferred market and distribution centre for horticultural products and to provide industry support.

## OUR MISSION IS:

---

To provide a commercially viable wholesale market.

ESTABLISHED UNDER THE ACT, THE MMA SERVES THE VICTORIAN FRUIT AND VEGETABLE INDUSTRY ALONG WITH THE FLOWER INDUSTRY THROUGH THE PROVISION OF MARKET FACILITIES AND DRIVES STRATEGIC DIRECTION AND MARKETING FOR THE INDUSTRY.

The Act prescribes the following objectives and functions:

### Objectives

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

### Functions

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

### Customer Focus

We recognise the importance of our customers to the success of our business and work in consultation with them to ensure that our facilities and services meet their needs and support their business viability and growth.

Our customers are the businesses that trade in or through the Melbourne Wholesale Fruit, Vegetable & Flower Market.

They include growers, retailers, provedores, wholesalers and those businesses that support trading.

### Shareholder Value

We conduct our business so that we optimise the return to our shareholder, the Victorian Government.

### Communications and Co-operation

We communicate openly and honestly throughout the MMA and provide quality services to our customers using processes that cross the organisation.

### Honesty and Integrity

In everything we do, we act with honesty and integrity.

### Industry Support and Innovation

We encourage innovation and initiative so that we may add value to our customers and position the Melbourne Wholesale Fruit, Vegetable & Flower Market to take a strong supporting role on issues faced by the industry as a whole, and individual industry associations.

### Management by Fact

Decision making is based on factual information. Research and analysis is important in conducting our business.

### Respect for Others

We treat our customers, suppliers and one another with respect and dignity. We value the principles of equity and diversity.

### Safe and Healthy Workplace

We strive to provide a safe and healthy workplace for all people who work within the Market.

### Teamwork

We value the input and participation of all employees and recognise the benefits that teamwork offers. We work in partnership with our customers, suppliers and industry groups.

# BUSINESS OVERVIEW AND STATISTICS

| BUSINESSES TRADING IN THE MARKET              |                  |                                   |
|---|------------------|-----------------------------------|
|   | Total Businesses | Individual Access Cards June 2011 |
| Total Fruit & Vegetable Tenant Businesses     | 650              | 3,126                             |
| Fruit & Vegetable Retail Buyers               | 1,304            | 2,487                             |
| <b>Total Fruit &amp; Vegetable Businesses</b> | <b>1,954</b>     | <b>5,613</b>                      |
| Flower Buyers - Florists                      | 753              | 1,107                             |
| Flower Growers/Wholesalers                    | 106              | 318                               |
| <b>Total Flower Businesses</b>                | <b>859</b>       | <b>1,425</b>                      |
| Transport Operators & Unloaders               | 111              | 343                               |
| Other Market Related Businesses               | 184              | 734                               |
| <b>Total Market Businesses</b>                | <b>3,108</b>     | <b>8,115</b>                      |

| AVERAGE VEHICLE ACCESS PER TRADING DAY   |              |              |              |
|--|--------------|--------------|--------------|
|  | 2008/09      | 2009/10      | 2010/11      |
| <b>Fruit &amp; Vegetable Market:</b>     |              |              |              |
| Buyers/Retailers                         | 786          | 793          | 768          |
| Growers/Wholesalers/Merchants            | 1,147        | 1,268        | 1,498        |
| <b>Total Average Entries</b>             | <b>1,933</b> | <b>2,061</b> | <b>2,266</b> |
| <b>Flower Market:</b>                    |              |              |              |
| Buyers/Florists                          | 210          | 120          | 120          |
| Growers/Wholesalers                      | 110          | 74           | 78           |
| <b>Total Average Entries</b>             | <b>320</b>   | <b>194</b>   | <b>198</b>   |
| <b>Ancillary Businesses:</b>             |              |              |              |
| Market Related Businesses                | 360          | 372          | 534          |
| Transport Operators and Unloaders        | 135          | 146          | 124          |
| <b>Total Average Entries</b>             | <b>495</b>   | <b>518</b>   | <b>658</b>   |
| <b>Total Average Daily Market Access</b> | <b>2,748</b> | <b>2,773</b> | <b>3,122</b> |

| % CHANGE IN REGISTERED USERS |         |          |         |          |         |          |         |
|------------------------------|---------|----------|---------|----------|---------|----------|---------|
|                              | 2007/08 | % Change | 2008/09 | % Change | 2009/10 | % Change | 2010/11 |
| Total Registered Individuals | 7,233   | +3%      | 7,437   | +3%      | 7,711   | +5%      | 8,115   |
| Total Registered Businesses  | 3,130   | +1%      | 3,155   | -2%      | 3,103   | -        | 3,108   |

# BUSINESS OVERVIEW AND STATISTICS

| MARKET LAND USE  |                                   |                        |
|--|-----------------------------------|------------------------|
|  | No. of Properties/Trading Modules | Area of Land Used - m2 |
| Warehousing  | 38                                | 31,513                 |
| 'A' Stores   | 240                               | 20,160                 |
| 'B' Stores   | 180                               | 10,314                 |
| Fruit & Vegetable Stands                                     | 664                               | 13,944                 |
| <b>Total Fruit &amp; Vegetable Trading</b>                   | <b>1,122</b>                      | <b>75,931</b>          |
| Flower Market Stands (including coolrooms and entrance ways) | 143                               | 3,003                  |
| Flower Market Commercial Properties                          | 4                                 | 715                    |
| <b>Total Flower Market Trading</b>                           | <b>147</b>                        | <b>3,718</b>           |
| Other Properties   | 63                                | 36,517                 |
| Parking (including casual parking)                           | 2,710                             | 43,940                 |
| <b>Total Leasing/Licensed Areas</b>                          | <b>4,042</b>                      | <b>160,106</b>         |

| INDUSTRIAL VEHICLES ON SITE |         |         |         |
|-----------------------------|---------|---------|---------|
|                             | 2008/09 | 2009/10 | 2010/11 |
| Forklifts                   | 874     | 852     | 861     |
| Scooters                    | 255     | 241     | 240     |
| Golf Buggies                | 19      | 23      | 39      |

# THE FRUIT, VEGETABLE & FLOWER MARKET

THE MELBOURNE WHOLESALE FRUIT, VEGETABLE & FLOWER MARKET ('THE MARKET') IS THE LARGEST COMPLEX FOR TRADING FRESH PRODUCE IN VICTORIA.

Sellers include fruit, vegetable and flower wholesalers and growers operating from warehouses, stores and trading stands.

Buyers include independent greengrocers, supermarkets, provedores, restaurants, food processors and florists. Many more businesses receive deliveries and consignments direct from the Market. The MMA promotes the sale of fresh produce and cut flowers in the broader community through a diverse range of marketing initiatives.

## THE YEAR IN REVIEW

---

THE 2010/11 FINANCIAL YEAR WAS A YEAR OF CHALLENGES FOR THE FRESH PRODUCE INDUSTRY. INDUSTRY REPORTED PRODUCE QUALITY AND INTERRUPTIONS TO THE SUPPLY CHAIN WERE TWO ISSUES THAT AFFECTED TRADING PERFORMANCE IN THE MARKET.

The Queensland banana industry incurred immense losses through another devastating cyclone; Cyclone Yasi. The Market is looking to rebound when the supply of bananas return in late 2011.

Other horticultural production regions across the nation were affected by the *La Niña* phenomena, bringing heavy rains and severe flooding to some regions, whilst others experienced drought. Horticulture revolves around supply and demand which flows right through the chain to the consumer.

However, despite these challenges the industry supply chain continues with resilience and maintains the essential task of supplying fresh produce for the wellbeing of the nation's populace.

Stakeholders within the Market continue to seek support from the MMA to actively promote fresh produce and flowers out to consumers in the broader community.

### Trading Hours

The Fruit and Vegetable Market trades five days a week with general trading starting from 3.00am on Monday, Thursday and Friday (3.30am during winter trading) and 4.00am on Tuesday and Wednesday (4.30am during winter trading).

The Flower Market trades six days a week with general trading starting from 4.00am on Thursday, 4.30am on Monday, Tuesday, Wednesday and Friday, and 5.00am on Saturday.

### Site Maintenance

MMA's main focus was on improvement of preventive and planned maintenance of site assets, also on improving follow-up and feedback on individual maintenance requests from the tenants. The current manual systems will be replaced with a computerised maintenance system providing planning and automatic feedback to customers when a requested job is completed.

Site Services is committed to safety and environment. Ensuring that Market assets are only serviced by qualified and certified contractors, the MMA has introduced a compulsory registration process. This will be complemented by a system to control entry of contractors attending the site to carry out works. The aim is to ensure that works on MMA assets are carried out by professionals and also that they are aware of MMA requirements. The system should prevent dubious contractor works - a potential for fire hazard or OH&S issues.

Apart from ongoing maintenance works other major activities included:

- Road works including major and minor pavement replacement particularly focused on forklift movement routes.
- Repair to fire damaged roofing in north-east corner (Country Transport) - 50m<sup>2</sup> of sheeting and 4 beams were replaced.
- Repair to damaged pillar in NFC Carpark requiring pillar replacement.

## Market Operations

Market Operations has been focused on providing a safe working environment and efficient service to Market users. Improvement processes in operational activities included market officers carrying out their activities based on a daily duties check list report. Each report lists market officer's duties for the assigned area and provides any associated feedback. The implementation of the reports has improved operational efficiency and consistency in market officers' performance. It is expected that in the near future the reports can be managed electronically by the Information Leader System providing feedback and directions for improvement.

The essential part of a safe working environment is the provision of sufficient housekeeping to maintain Market cleanliness. The MMA has been working together with Market users on keeping the Market clean both during and after trading hours. Additional waste collection points have been provided. Store tenants have an opportunity to ask for individual waste bins and all Market users are provided with an option of dropping off their waste directly to the Waste Management Area. The Autobaler, a cardboard collection machine located in the National Flower Centre (NFC), has proved to be a success. The vast majority of NFC users collect and place cardboard in this machine. As a result of these measures both the Fruit & Vegetable Market and the NFC are currently much cleaner than before the campaign started.

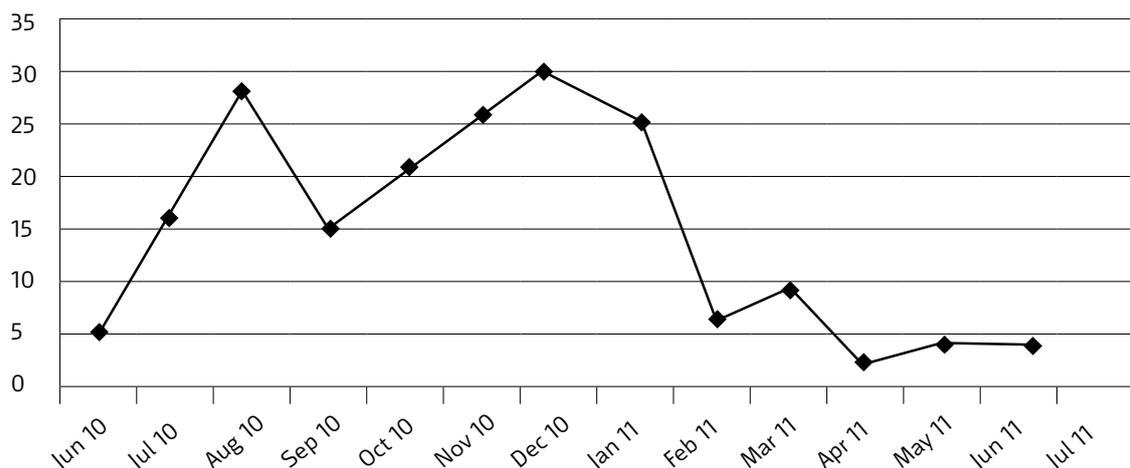
Produce theft in the Market has been always one of the "hottest" issues. The MMA has been assisting Market users in minimising produce theft in the Market. Several actions were introduced last year as listed below:

- Additional cameras - several dome type and hidden cameras were installed in the most sensitive areas of the Market.
- Security patrolling and physical checking of deliveries to parking bays.
- Colour coding of West and East undercover parking areas.
- Warning campaign against theft and informing about consequences.
- Implementation of GPS forklift tracking system (this is still in trial stage).

These actions resulted in a dramatic drop in thefts, from up to a maximum of 30 incidents a month to less than 10 incidents from February onwards (see graph below).

### Incidents of Market Theft

No. of Incidents



Golf buggies, previously only requiring registration with the MMA, are now also registered with VicRoads. Although this removed buggy owners from the obligation of individual public liability insurance as it is now covered through VicRoads registration, each buggy must have a roadworthy certificate.

# MARKETING

THE MMA WORKED WITH A NUMBER OF GROUPS TO EXTEND ITS PROMOTIONAL EXPOSURE, SUPPORT INDUSTRY DEVELOPMENT, AND PROVIDE INFORMATION TO THE PUBLIC ON THE BENEFITS OF EATING FRESH PRODUCE.

The Market continues to be the centre for the purchase and distribution of fresh produce within the State of Victoria and the MMA will continue to strive to actively promote both the cut flower and fresh produce industries.

The MMA actively promotes the benefits of consuming fresh produce as part of a healthy diet to the broader community. Promotions range from educating school students via the MarketFresh Schools Program through to participating in major food promotional events in Melbourne.

These Marketing programs and other promotional initiatives are supported by wholesalers, growers and industry groups who all contribute to the success of the campaign.

Marketing is now seeking to expand its reach with promotional activities utilising social media.

## MARKETING EVENTS

---

- Partners of the Market Annual Golf Day
- Melbourne International Flower & Garden Show
- Melbourne Good Food and Wine Show
- Werribee Harvest Picnic
- VicFresh - Industry gala night
- Chinese New Year (internal)
- Christmas Charity BBQ (internal)

### Annual Retailer of the Year Awards

The Metropolitan and Regional Retailer of the Year Awards, which recognise excellence in fresh produce retailing, are presented each year at VicFresh.

### Market Veterans Award

Awarded annually to Market users who have attained 40 years or more of continuous service at the Market.

## MARKETING PROGRAMS

---

### MarketFresh Schools Program

The MarketFresh Schools Program is managed by the MMA and is structured to educate school children about the importance of consuming fresh fruit and vegetables daily as part of their general wellbeing.

In addition, the children are given an understanding of the supply chain for fresh produce from growers to their home.

From July 2010 to June 2011 the MMA travelled state-wide to present 210 sessions to 30,614 students.

This important program would not be possible without the continued support from industry, wholesalers and growers within the Market.

### Retail Development - Victoria

The Retail development program managed by the MMA is designed to encourage excellence in all aspects of fruit and vegetable retailing. Greengrocers' stores are assessed through an independent mystery shopping service provider. The retail development program runs state wide annually and culminates with awards to:-

- Retailer of the Year Regional Victoria
- Retailer of the Year Metropolitan Melbourne

626 independent greengrocers stores were mystery shopped in the 2010/11 year.

The improved reporting system introduced by the MMA this year increased awareness of the program and stimulated interaction with the greengrocers as a step to improving excellence in retailing.

## FLOWER PROMOTIONS

---

- Valentines Day
- Mothers Day
- Spring Racing Carnival
- Daffodil Day Fundraiser (Cancer Council)
- Weekly Flower Report (Herald Sun)
- 65 Roses Fundraiser (Cystic Fibrosis)

## FRUIT AND VEGETABLE PROMOTIONS

---

### Marketfresh.com.au

The MMA's MarketFresh website is a valuable resource and is used by the fresh produce industry, the education sector, food service, florists and consumers seeking information on varieties and seasonality of fresh produce and flowers. A fresh produce and flower availability report is uploaded monthly.

The MMA maintains the site with continual upgrades to support sales of fresh produce through retailers and florists who buy from the Market.

In addition, a weekly produce and flower report is supplied by the MMA to the Herald Sun which advises readers to visit the MarketFresh website for additional information.

# MARKETING

## SPONSORSHIPS

---

MMA Marketing co-sponsors events supporting the fresh produce industry.

- Australian Banana industry annual congress
- Vegetable Growers Association National Vegetable Expo (Werribee)
- Victorian Farmers Federation
- Ausveg National Conference
- Norlane West Primary School (Supply one piece of fresh fruit to 90 Grade 3 & 4 students three days per week for two terms)
- Rural Press Club Annual Awards
- Fresh Produce industry National Conferences

## PARTNERS OF THE MARKET

---

### Business Partnership Program

The Business Partnership Program of the MMA provides its member companies with the opportunity to market their products and services to the Market community through MMA activities.

### Restaurant & Food Service Liaison

MMA continues to support and promote this important sector of the food service industry with strategic alliances.

### FoodBank Victoria

MMA engages with FoodBank Victoria to support their cause in the Market.

FoodBank Victoria sources donations of fresh produce from the Market for distribution through agencies to the needy in the Victorian community.

In the year 2010/11 FoodBank Victoria received donations of 502,868 kilograms of fresh produce from traders operating within the Market.

## NEW BUSINESS ORIENTATIONS

---

The MMA operates an orientation service to introduce new businesses and personnel to the Market. The service is well utilised, particularly by small independent retailers and florists wishing to enter the Market.

155 people utilised the Market business orientation service during 2010/11.

## VISITORS

---

A total of 1,618 people visited the Market during 2010/11.

The Melbourne Wholesale Fruit, Vegetable & Flower Market has been the destination for an increased number of international visitors seeking industry information or contacts for import/export opportunities.

Tourist train visitors - 1,251

Industry visitors - 279

International industry visitors - 88

## BUSINESS DIRECTORIES

---

A comprehensive pocket size guide (Business Directory) is updated annually to support traders and businesses operating within the Market.

The directories list:

- Fruit & Vegetable merchants and associated businesses.
- Flower Wholesalers and industry suppliers.

# ENVIRONMENT

THE MMA'S ENVIRONMENT PERFORMANCE FOR 2010/11 IS SUMMARISED IN THE TABLE BELOW:

| Indicator   | 2010/11    | 2009/10    |
|---|------------|------------|
| Total units of copy paper used by the MMA (A4 equivalent reams)   | 407        | 463        |
| Total electricity used on site (MJ)                               | 14,615,381 | 14,786,042 |
| Total gas used on site (MJ)                                       | 109,864    | 147,282    |
| Total units of metered water consumed on site (kilolitres)        | 15,220     | 15,092     |
| Total energy consumption of MMA operational vehicles (GJ)         | 206.0      | 196.8      |
| Total distance travelled by aeroplane of MMA representatives (km) | 35,649     | 10,330     |
| Total landfill (tonnes) from the site                             | 3,950      | 4,064      |
| Total recyclables (tonnes) from the site                          | 7,719      | 6,623      |
| Percentage diversion rate from landfill                           | 66.1       | 62.0       |

- Waste recycling rate has increased from 62% to 66%.
- Gas consumption has decreased by 25%. This is due to more efficient gas cookers being used in the Market.
- Paper consumption is down from the previous reporting period.
- Air travel was significantly greater than in the previous reporting period.

## Greenhouse Gas Emissions

The greenhouse gas emissions footprint disclosed in the table below has been calculated from the data in the table above:

| Indicator  | 2010/11 | 2009/10 |
|--|---------|---------|
| Total greenhouse gas emissions associated with energy use (tCO <sub>2</sub> e)       | 5,324   | 5,553   |
| Total greenhouse gas emissions associated with vehicle fleet (tCO <sub>2</sub> e)    | 14.33   | 13.70   |
| Total greenhouse gas emissions associated with air travel (tCO <sub>2</sub> e)       | 3.78    | 1.24    |
| Total greenhouse gas emissions associated with waste production (tCO <sub>2</sub> e) | 3,555   | 3,658   |

- Greenhouse gases have decreased overall by 3.6% for the current reporting period.

# GOVERNANCE

## RISK MANAGEMENT

---

### Risk Management Attestation

I, Neil Lowe, certify that the MMA has risk management processes in place consistent with the International Risk Management Standard ISO 31000:2009 and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures.

The MMA Board verifies this assurance and that the risk profile of the MMA has been critically reviewed within the last 12 months.



NEIL LOWE  
Chairman

## WORKPLACE RELATIONS

---

The MMA Enterprise Agreement 2010-2013 governs the workplace arrangements for employees at the MMA.

## OCCUPATIONAL HEALTH & SAFETY PERFORMANCE

---

There was no Lost Time Injuries to MMA employees during the reporting period.

## INTERNAL AUDIT PROGRAM

---

Oakton's AA Services Pty Ltd (Oakton) service contract was extended to 30 June 2012 and a new internal audit program developed for the MMA to cover this period.

# ADMINISTRATION AND MANAGEMENT

## STAFFING

|           | Ongoing Employees     |                       |                       |     | Fixed Term & Casual |
|-----------|-----------------------|-----------------------|-----------------------|-----|---------------------|
|           | Employees (headcount) | Full-time (headcount) | Part-time (headcount) | FTE | FTE                 |
| June 2011 | 32                    | 32                    | -                     | 32  | -                   |
| June 2010 | 32                    | 31                    | 1                     | 32  | -                   |

|                | June 2011             |           |                     | June 2010             |           |                     |
|----------------|-----------------------|-----------|---------------------|-----------------------|-----------|---------------------|
|                | Ongoing               |           | Fixed Term & Casual | Ongoing               |           | Fixed Term & Casual |
|                | Employees (headcount) | FTE       | FTE                 | Employees (headcount) | FTE       | FTE                 |
| <b>Gender:</b> |                       |           |                     |                       |           |                     |
| Male           | 16                    | 16        | -                   | 17                    | 17        | -                   |
| Female         | 16                    | 16        | -                   | 15                    | 15        | -                   |
| <b>Age:</b>    |                       |           |                     |                       |           |                     |
| Under 25       | -                     | -         | -                   | -                     | -         | -                   |
| 25-34          | 5                     | 5         | -                   | 6                     | 6         | -                   |
| 35-44          | 9                     | 9         | -                   | 9                     | 9         | -                   |
| 45-54          | 10                    | 10        | -                   | 10                    | 10        | -                   |
| 55-64          | 7                     | 7         | -                   | 6                     | 6         | -                   |
| Over 64        | 1                     | 1         | -                   | 1                     | 1         | -                   |
| <b>Total</b>   | <b>32</b>             | <b>32</b> | <b>-</b>            | <b>32</b>             | <b>32</b> | <b>-</b>            |

- All figures reflect employment levels during the last full pay period of June of each year.
- 'Ongoing employees' means people engaged on an open-ended contract of employment and executives engaged on a standard executive contract who were active in the last full pay period of June.
- 'FTE' means full-time staff equivalent.
- Excluded are those persons on leave without pay or absent on secondment, external contractors/consultants, temporary staff employed by employment agencies, and people who are not employees but appointees to a statutory office, as defined in the *Public Administration Act 2004*.
- Employee classifications are as per those main classifications prescribed in the current MMA Enterprise Agreement 2010-2013.
- There was no major change in employment levels between June 2010 and June 2011.

## TOTAL EMPLOYEES AND BOARD AT THE REPORTING DATE

|                   | 2011      | 2010      |
|-------------------|-----------|-----------|
| Payroll employees | No.       | No.       |
| Staff             | 32        | 32        |
| Board members     | 5         | 4         |
| <b>Total</b>      | <b>37</b> | <b>36</b> |

|   |       |       |
|---|-------|-------|
| Assumed rate of increase in wage and salary rates | 3.00% | 3.00% |
| Discount rate                                     | 5.28% | 5.16% |
| Settlement term (years)                           | 10    | 10    |
| Settlement term (years) pro rata                  | 7     | 7     |

## WHISTLEBLOWER PROTECTION ACT 2001

---

*The Whistleblowers Protection Act 2001* (The Act) encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

The MMA does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct. It is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

The MMA will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

### Ms Yogi Pillay

Protected Disclosure Co-ordinator  
Melbourne Market Authority  
Box 1, 542 Footscray Rd  
West Melbourne VIC 3003  
Telephone 9258 6100

### The Ombudsman Victoria

Level 22  
459 Collins St  
Melbourne VIC 3000  
Telephone 9613 6222  
Toll free 1800 806 314

## DISCLOSURES

---

There have been no disclosures referred to the MMA or the Ombudsman or by the Ombudsman to the MMA under the Act since it commenced in January 2002.

## PRIVACY POLICY

---

The MMA is bound by the National Privacy Principles, which are contained within the *Information Privacy Act 2000*. The MMA respects and values customers' privacy and takes all reasonable steps to ensure that any personal information collected is kept securely to prevent misuse, loss, unauthorised access or change. The MMA has developed a Privacy Policy Statement and has advised all customers of this policy in writing, posted it on the website and makes it available to all new customers at time of registration. There were no complaints or breaches in regard to privacy issues during the year.

# FINANCE REPORT

|                               |    |   |    |
|-------------------------------|----|---|----|
| FINANCE REPORT.....           | 18 | FINANCIAL STATEMENTS FOR<br>YEAR ENDED 30 JUNE 2011.....                          | 23 |
| DISCLOSURE REQUIREMENTS.....  | 20 | CHAIRMAN'S, ACCOUNTABLE OFFICER'S<br>& CHIEF FINANCIAL OFFICER'S DECLARATION..... | 61 |
| ACKNOWLEDGEMENTS.....         | 20 | DISCLOSURE INDEX.....   | 62 |
| AUDITOR-GENERAL'S REPORT..... | 21 |   |    |

## FIVE YEAR FINANCIAL SUMMARY

|   | 2011    | 2010    | 2009    | 2008    | 2007    |
|---|---------|---------|---------|---------|---------|
|   | \$000   | \$000   | \$000   | \$000   | \$000   |
| Income from government                  | 15      | -       | -       | 2,001   | 26      |
| Total income from transactions          | 23,005  | 21,470  | 20,615  | 21,985  | 18,619  |
| Total expenses from transactions        | 14,647  | 15,882  | 14,882  | 17,417  | 20,748  |
| Net result from transactions            | 8,372   | 5,588   | 5,733   | 4,568   | (2,129) |
| Net result for the period               | 8,337   | 5,563   | 5,642   | 4,541   | (2,180) |
| Net cash flow from operating activities | 11,682  | 10,269  | 11,642  | 10,887  | 7,016   |
| Total assets                            | 149,346 | 130,703 | 124,931 | 119,559 | 97,444  |
| Total liabilities                       | 3,880   | 3,732   | 3,523   | 3,793   | 4,099   |

## FINANCIAL PERFORMANCE

### Income

There were some significant changes in revenue for the year compared with last year, with the key changes highlighted below:

**Total Revenue \$23,020,295**  
+ \$1,550,031 (+7.2%)

The following items contributed to the movement in revenue:-

**Interest revenue \$2,435,850**  
+ \$941,415 (+63.0%)

This increase has resulted from a growing investment principle which was consistent with budget, and higher rates of interest which were higher than budget.

**Rental income \$20,177,876**  
+ \$598,492 (+3.1%)

This increase has resulted from the annual CPI increase to property rentals, increases to wholesaler stores and some warehousing, growers trading stands and parking spaces which were consistent with budget.

### Expenditure

There were some significant changes in expenses compared with last year, with the key changes highlighted below:

**Total Expenses \$14,647,318**  
- \$1,235,135 (-7.7%)

**Depreciation & amortisation \$3,576,886**  
- \$1,355,073 (-27.5%)

Depreciation is calculated to ensure that at the date of relocation of the market assets (excluding land and motor vehicles) are depreciated to zero. DBI advised in 2010 the estimated date of relocation was 2012. During 2011 the date was extended to 2013. The depreciation charge reduces as the date and thus the asset life is extended.

**Employee benefits and expenses \$3,674,475**  
+ \$118,647 (+3.3%)

This increase has resulted from annual staff pay increases and growing provision for staff long service leave which is consistent with budget. It also includes a defined benefit superannuation funding shortfall payment, which was not budgeted.

# FINANCE REPORT

## Consulting Fees

There were no consultancies with individual costs greater than \$100,000, and there were 11 consultancies of less than \$100,000 each, which totalled \$138,925.

## Contracting Fees

There were 6 contracts with individual costs greater than \$100,000 which totalled \$3,615,645, and there were 44 contracts of less than \$100,000 each, which totalled \$902,200.

## FINANCIAL POSITION

---

### Assets

There were some significant changes in assets compared with last year, with the key changes highlighted below:

Investments \$50,000,000  
+ \$12,000,000 (+31.5%)

This increase has resulted from a growing investment principle which was consistent with budget.

Land \$81,000,000  
+ \$3,520,000 (+4.6%)

This increase has resulted from an independent revaluation of the cost price, which is required by FRD103D to be performed every 5 years.

Buildings \$10,801,000  
+\$6,637,800 revaluation - \$3,246,165 depreciation = +\$3,391,635 (+45.7%)

The revaluation has resulted from an independent revaluation of depreciated replacement cost. Under Financial Reporting Direction FRD103D, every 5 years buildings are required to be independently valued at depreciated replacement cost. MMA has been instructed to realise a gain in fair value of \$6.6M at 30 June 2011.

Subsequent to year end, DBI have advised that the now planned market relocation date is 30 June 2014. Due to the planned future market relocation in 2014, the fair value has been determined based on buildings having an estimated remaining useful life of 3 years. As a consequence, an additional \$2.2M in depreciation per annum is required to write the fair value of buildings down to zero at the date of relocation.

Given the planned relocation date of 30 June 2014 a more appropriate treatment may have been to retain the pre-valuation fair value of \$4.2M, and depreciate this value over the remaining life of 3 years. However, there is no discretion given under FRD103D.

### Equity

Physical asset revaluation surplus \$50,937,800  
+ \$10,157,800 (+24.9%)

This increase has resulted from an independent revaluation of the cost price of Land and independent revaluation of the depreciated replacement cost (fair value) of Buildings.

## CASH FLOWS

---

Payments for investments \$12,000,000  
+ \$5,000,000 (+71.4%)

This increase has resulted from a growing investment principle which was consistent with budget.

## BUDGET PERFORMANCE

---

The MMA achieved a 2% better than budget revenue result, and a 8% better than budget expenditure result. This equated to 29% better than budget overall result.

# FINANCE REPORT

## CORPORATE PERFORMANCE

---

The MMA uses a set of Key Performance Indicators (KPIs) as a means of measuring corporate performance across a range of financial and non-financial performance areas including:

- Performance against operating revenue and expenditure budgets.
- Property utilisation rates.
- Employee accrued annual leave and turnover.
- Loss time injuries and serious incidents.
- Environmental performance improvements.

Performance against each of these areas is measured and an aggregate index of corporate performance derived.

For the full year 2010/11, the MMA's KPIs performance index was 113%, which means that in the aggregate MMA exceeded financial and non-financial performance targets by 13%.

## DISCLOSURE REQUIREMENTS

---

The information relating to issues set out in FRD22B of the Directions of the Minister for Finance is available on request.

Members of the Board of the MMA and senior management are required to declare any pecuniary interests that may be relevant to their duties and responsibilities.

The MMA had, where applicable, complied with the *Building Act 1993*.

The MMA complies with the *Freedom of Information Act 1992* and has appointed a Freedom of Information Officer – Yogi Pillay. No Freedom of Information requests were received during the year.

The MMA applies the principle of promotion on the basis of merit and equity in the treatment of all staff.

Matters relating to the government Competitive Neutrality Policy Victoria statement are being addressed systematically.

The MMA will provide other information as required on request.

MMA investments are held by Treasury Corporation of Victoria.

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

The MMA will provide other information as required on request.

MMA investments are held by Treasury Corporation of Victoria.

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

## ACKNOWLEDGEMENTS

---

The MMA gratefully acknowledges the support of the Department of Business and Innovation (DBI) and other Government Agencies.

Advisory and Consultative Committees established by the MMA have continued to provide valuable support and useful advice.

The MMA would also like to record its thanks for the dedicated support it has received from its employees to achieve its objectives and better serve the people of Victoria.

Finally, the MMA thanks the Market community and horticultural industry for the support and assistance which it has received over the past 12 months.

Yours sincerely,

Members of the MMA

N J Lowe, Chairman

B Constance, Member

N Kirkwood, Member

S J McArthur, Member

G Marven, Member

# VAGO

Victorian Auditor-General's Office

## INDEPENDENT AUDITOR'S REPORT

To the Board Members, Melbourne Market Authority

### *The Financial Report*

The accompanying financial report for the year ended 30 June 2011 of the Melbourne Market Authority which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the chairman's, accountable officer's and chief financial officer's declaration has been audited.

### *The Board Members' Responsibility for the Financial Report*

The Board Members of the Melbourne Market Authority are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au) Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

*Auditing in the Public Interest*

## Independent Auditor's Report (continued)

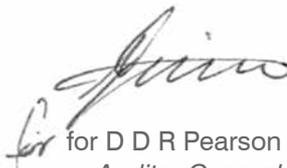
### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Melbourne Market Authority as at 30 June 2011 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*.

### *Matters Relating to the Electronic Publication of the Audited Financial Report*

This auditor's report relates to the financial report of the Melbourne Market Authority for the year ended 30 June 2011 included both in the Melbourne Market Authority's annual report and on the website. The Board Members of the Melbourne Market Authority are responsible for the integrity of the Melbourne Market Authority's website. I have not been engaged to report on the integrity of the Melbourne Market Authority website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE  
29 August 2011



for D D R Pearson  
Auditor-General

# MELBOURNE MARKET AUTHORITY

Comprehensive Operating Statement for the financial year ended 30 June 2011

|   |               | 2011                | 2010                |
|---|---------------|---------------------|---------------------|
|   | Notes         | \$                  | \$                  |
| <b>CONTINUING OPERATIONS</b>  |               |                     |                     |
| <b>INCOME FROM TRANSACTIONS</b>                                       |               |                     |                     |
| Rental income   | 1(E)i, 2(a)   | 20,177,876          | 19,579,384          |
| Interest  | 1(E)ii, 2(b)  | 2,435,850           | 1,494,435           |
| Grants  | 1(E)iii, 2(c) | 15,000              | -                   |
| Other income  | 1(E)iv, 2(d)  | 391,569             | 396,445             |
| <b>Total income from transactions</b>                                 |               | <b>23,020,295</b>   | <b>21,470,264</b>   |
| <b>EXPENSES FROM TRANSACTIONS</b>                                     |               |                     |                     |
| Employee expenses   | 1(F)i, 3(a)   | (3,674,475)         | (3,555,828)         |
| Depreciation  | 1(F)ii, 3(b)  | (3,576,886)         | (4,931,959)         |
| Interest expense  | 1(F)iii, 3(c) | -                   | (1,830)             |
| Supplies and service  | 1(F)iv, 3(d)  | (7,389,857)         | (7,388,837)         |
| Other operating expenses  | 1(F)v, 3(e)   | (6,100)             | (4,000)             |
| <b>Total expenses from transactions</b>                               |               | <b>(14,647,318)</b> | <b>(15,882,453)</b> |
| <b>Net result from transactions (net operating balance)</b>           |               | <b>8,372,977</b>    | <b>5,587,811</b>    |
| <b>Other economic flows included in net result</b>                    |               |                     |                     |
| Net gain/(loss) on non-financial assets                               | 1(G)i, 4(a)   | 12,105              | (10,236)            |
| Other gains/(losses) from other economic flows                        | 1(G)ii, 4(b)  | (47,106)            | (14,537)            |
| <b>Total other economic flows included in net result</b>              |               | <b>(35,001)</b>     | <b>(24,773)</b>     |
| <b>Net result from continuing operations</b>                          |               | <b>8,337,976</b>    | <b>5,563,038</b>    |
| Net result from discontinued operations                               |               | -                   | -                   |
| <b>Net result</b>   |               | <b>8,337,976</b>    | <b>5,563,038</b>    |
| <b>Other economic flows - other non-owner change in equity</b>        |               |                     |                     |
| Changes in physical asset revaluation surplus                         | 11            | 10,157,800          | -                   |
| <b>Total other economic flows - other non-owner changes in equity</b> |               | <b>10,157,800</b>   | <b>-</b>            |
| <b>Comprehensive result</b>   |               | <b>18,495,776</b>   | <b>5,563,038</b>    |

*Note: Changes in physical asset revaluation surplus includes realised gains from revaluations of physical assets.*

The above Comprehensive Operating Statement should be read in conjunction with accompanying notes

# MELBOURNE MARKET AUTHORITY

Balance Sheet as at 30 June 2011

|  |                      | 2011               | 2010               |
|--|----------------------|--------------------|--------------------|
|  | Notes                | \$                 | \$                 |
| <b>ASSETS</b>                          |                      |                    |                    |
| <b>FINANCIAL ASSETS</b>                |                      |                    |                    |
| Cash and deposits                      | 1(l)i, 12(a)         | 5,681,112          | 6,217,391          |
| Receivables                            | 1(l)ii, 8, 12(a)     | 1,082,781          | 710,633            |
| Investments and other financial assets | 1(H)(iii), 10, 12(a) | 50,000,000         | 38,000,000         |
| <b>Total Financial Assets</b>          |                      | <b>56,763,893</b>  | <b>44,928,024</b>  |
| <b>NON-FINANCIAL ASSETS</b>            |                      |                    |                    |
| Property, plant and equipment          | 1(L)(i), 6           | 92,248,826         | 85,483,984         |
| Intangible assets                      | 1(L)(v), 7           | 121,442            | 74,782             |
| Prepayments                            | 1(L)(vi)             | 212,338            | 216,578            |
| <b>Total Non-Financial Assets</b>      |                      | <b>92,582,606</b>  | <b>85,775,344</b>  |
| <b>Total Assets</b>                    |                      | <b>149,346,499</b> | <b>130,703,368</b> |
| <b>LIABILITIES</b>                     |                      |                    |                    |
| Payables                               | 1(K)(i), 9           | 3,130,440          | 3,030,190          |
| Provisions                             | 1(K)(ii), 5          | 749,603            | 702,498            |
| <b>Total Liabilities</b>               |                      | <b>3,880,043</b>   | <b>3,732,688</b>   |
| <b>Net Assets</b>                      |                      | <b>145,466,456</b> | <b>126,970,680</b> |
| <b>EQUITY</b>                          |                      |                    |                    |
| Accumulated surplus/(deficit)          |                      | 56,363,449         | 48,025,473         |
| Physical asset revaluation surplus     | 11                   | 50,937,800         | 40,780,000         |
| Contributed capital                    |                      | 38,165,207         | 38,165,207         |
| <b>Net Worth</b>                       |                      | <b>145,466,456</b> | <b>126,970,680</b> |
| Commitments for expenditure            | 16                   |                    |                    |
| Contingent liabilities                 | 17                   |                    |                    |

The above Balance Sheet should be read in conjunction with accompanying notes

# MELBOURNE MARKET AUTHORITY

Statement of Changes in Equity for the financial year ended 30 June 2011

|   |       | Physical asset<br>revaluation<br>surplus | Accumulated<br>surplus | Contributions<br>by owner | Total              |
|---|-------|--|------------------------|---------------------------|--------------------|
|   | Notes | \$                                       | \$                     | \$                        | \$                 |
| Balance at 1 July 2009                  |       | 40,780,000                               | 42,462,435             | 38,165,207                | 121,407,642        |
| Net result for the year                 |       | -  | 5,563,038              | -                         | 5,563,038          |
| Other comprehensive income for the year | 11    | -  | -                      | -                         | -                  |
| Transfer to accumulated surplus         |       | -  | -                      | -                         | -                  |
| Capital appropriations                  |       | -  | -                      | -                         | -                  |
| <b>Balance at 30 June 2010</b>          |       | <b>40,780,000</b>                        | <b>48,025,473</b>      | <b>38,165,207</b>         | <b>126,970,680</b> |
| Net result for the year                 |       | -  | 8,337,976              | -                         | 8,337,976          |
| Other comprehensive income for the year | 11    | 10,157,800                               | -                      | -                         | 10,157,800         |
| Transfer to accumulated surplus         |       | -  | -                      | -                         | -                  |
| Capital appropriations                  |       | -  | -                      | -                         | -                  |
| <b>Balance at 30 June 2011</b>          |       | <b>50,937,800</b>                        | <b>56,363,449</b>      | <b>38,165,207</b>         | <b>145,466,456</b> |

The above Statement of Changes in Equity should be read in conjunction with accompanying notes

# MELBOURNE MARKET AUTHORITY

Cash Flow Statement for the year ended 30 June 2011

|   |              | 2011                | 2010                |
|---|--------------|---------------------|---------------------|
|   | Notes        | \$                  | \$                  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>               |              |                     |                     |
| <b>RECEIPTS</b>   |              |                     |                     |
| Receipts from government                                  |              | -                   | 15,000              |
| Receipts from customers                                   |              | 22,296,665          | 21,886,997          |
| Interest received   |              | 2,435,850           | 977,926             |
| <b>Total receipts</b>                                     |              | <b>24,732,515</b>   | <b>22,879,923</b>   |
| <b>PAYMENTS</b>   |              |                     |                     |
| Payments to suppliers and employees                       |              | (11,667,744)        | (11,331,143)        |
| Goods & Services Tax paid to the ATO                      |              | (1,382,433)         | (1,277,300)         |
| Interest and other costs of finance paid                  |              | -                   | (1,960)             |
| Other payments  |              | -                   | -                   |
| <b>Total payments</b>                                     |              | <b>(13,050,177)</b> | <b>(12,610,403)</b> |
| <b>Net cash flows from/(used in) operating activities</b> | <b>22(b)</b> | <b>11,682,338</b>   | <b>10,269,520</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>               |              |                     |                     |
| Payments for investments                                  |              | (12,000,000)        | (7,000,000)         |
| Payments for non-financial assets                         |              | (304,415)           | (485,245)           |
| Proceeds from sale of non-financial assets                |              | 85,798              | 67,557              |
| <b>Net cash flows from/(used in) investing activities</b> |              | <b>(12,218,617)</b> | <b>(7,417,688)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>               |              |                     |                     |
| Repayment of borrowings                                   |              | -                   | (136,567)           |
| <b>Net cash flows from/(used in) financing activities</b> |              | <b>-</b>            | <b>(136,567)</b>    |
| <b>Net increase/(decrease) in cash equivalents</b>        |              | <b>(536,279)</b>    | <b>2,715,265</b>    |
| Cash and cash equivalents at beginning of the year        |              | 6,217,391           | 3,502,126           |
| <b>Cash and cash equivalents at end of the year</b>       | <b>22(a)</b> | <b>5,681,112</b>    | <b>6,217,391</b>    |

The above Cash Flow Statement should be read in conjunction with accompanying notes

# MELBOURNE MARKET AUTHORITY

## Notes to Financial Statements - Contents

| Note | Note Description.....                            | Page No |
|------|--|---------|
| 1    | Summary of significant accounting policies.....  | 28      |
| 2    | Income from transactions.....                    | 41      |
| 3    | Expenses from transactions .....                 | 42      |
| 4    | Other economic flows included in net result..... | 42      |
| 5    | Provisions.....                                  | 43      |
| 6    | Property plant and equipment.....                | 43      |
| 7    | Intangible assets.....                           | 45      |
| 8    | Receivables .....                                | 45      |
| 9    | Payables .....                                   | 46      |
| 10   | Investments and other financial assets.....      | 46      |
| 11   | Reserves.....                                    | 46      |
| 12   | Financial instruments .....                      | 47      |
| 13   | Responsible persons .....                        | 53      |
| 14   | Remuneration of executives .....                 | 54      |
| 15   | Remuneration of auditors .....                   | 55      |
| 16   | Commitments for expenditure.....                 | 55      |
| 17   | Contingent assets and liabilities .....          | 56      |
| 18   | Superannuation .....                             | 56      |
| 19   | Subsequent events .....                          | 56      |
| 20   | Ex-gratia payments.....                          | 57      |
| 21   | Leases receivable .....                          | 57      |
| 22   | Cash flow information .....                      | 57      |
| 23   | Glossary of terms and style conventions .....    | 58      |
|      | Declaration .....                                | 61      |
|      | Disclosure index.....                            | 62      |

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The annual financial statements represent the audited general purpose financial statements for the MMA.

The purpose of the report is to provide users with information about the MMA's stewardship of resources entrusted to it.

To gain a better understanding of the terminology used in this report, a glossary of terms can be found in Note 23.

### (A) STATEMENT OF COMPLIANCE

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of the AASB 1049 Whole of Government and General Government Sector Financial Reporting.

The annual financial statements were authorised for issue by the Chairman, Accountable Officer and Chief Financial Officer on 25 August 2011.

Accounting policies are selected and applied in a manner which ensures 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.

### (B) BASIS OF ACCOUNTING PREPARATION AND MEASUREMENT

The accrual basis of accounting has been applied in the preparation of 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.

These financial statements are presented in Australian dollars, the functional and presentation currency of the MMA.

In the application of AASs, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. 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 made by management in the application of AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the next year, are disclosed throughout the notes to the financial statements.

This report has been prepared in accordance with the historical cost convention. Historical cost is based on the fair values of the consideration given in exchange for assets.

Exceptions to the historical cost convention include:

- non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value;
- the fair value of an asset other than land is generally based on its depreciated replacement value;

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented for the year ended 30 June 2010.

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

## (C) REPORTING ENTITY

The financial statements cover the MMA as an individual reporting entity. The MMA is a state government authority, established pursuant to the *Melbourne Market Authority Act (1977)*. Its principal address is Melbourne Market Authority, 542 Footscray Road, West Melbourne VIC 3003.

The financial statements include all the controlled activities of the MMA.

A description of the nature of the MMA's operations and its principal activities is included in the report of operations on page 7, which does not form part of these financial statements.

### Objectives and funding

A description of the objectives, functions and values of the MMA is included in the report of operations on page 7, which does not form part of these financial statements.

The MMA is a self-funded operation, which provides wholesale market facilities which are charged on a fee for usage basis. The fees charged for these services are determined by prevailing market forces.

## (D) SCOPE AND PRESENTATION OF FINANCIAL STATEMENTS

### (i) Comprehensive operating statement

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of financial statements*.

'Transactions' and 'other economic flows' are defined by the *Australian system of government finance statistics: concepts, sources and methods 2005* Cat. No. 5514.0 published by the Australian Bureau of Statistics (see Note 23).

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows within 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.

'Other economic flows' are changes arising from market re-measurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal.

The net result is equivalent to profit or loss derived in accordance with AASs.

### (ii) Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into, financial assets and non-financial assets.

Current and non-current assets and liabilities (those expected to be recovered or settled beyond 12 months) are disclosed in the notes, where relevant.

### (iii) Statement of changes in equity

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income related to other non-owner changes in equity.

(iv) **Cash flow statement**

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of cash flows*.

(E) **INCOME FROM TRANSACTIONS**

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

(i) **Rental income**

Rental income from the leasing of investment properties is recognised on a straight-line basis over the lease term.

(ii) **Interest income**

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments. Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

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

(iii) **Grants**

Grants from third parties (other than contribution by owners) are recognised as income in the reporting period in which the MMA gains control over the underlying assets.

(iv) **Other income**

Other income includes marketing income and infringements.

(F) **EXPENSES FROM TRANSACTIONS**

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

(i) **Employee expenses**

These expenses include all costs related to employment (other than superannuation which is accounted for separately) including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

*Superannuation – State superannuation defined benefit plans*

The amount recognised in the comprehensive operating statement in relation to employer contributions for members of defined benefit superannuation plans is simply the employer contributions that are paid or payable to these plans during the reporting period. The level of these contributions will vary depending upon the relevant rules of each plan, and is based upon actuarial advice.

The Department of Treasury and Finance (DTF) in their Annual Financial Statements, recognise on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans. Refer to DTF's Annual Financial Statements for more detailed disclosures in relation to these plans.

(iii) **Depreciation and amortisation**

All infrastructure assets, buildings, plant and equipment and other non financial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are depreciated. 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. Refer to Note 1 J(ii) for the depreciation policy for leasehold improvements.

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

During the year the MMA revised the accumulated depreciation charge for Buildings due to its reassessment that the planned relocation of the market would take place in 2013 rather than 2012 as initially expected. The reassessment of useful life of Buildings resulted in the depreciation charge decreasing by \$434,175 for the year.

Subsequent to 30 June 2011 the MMA again reassessed the planned relocation date as 30 June 2014 and this date has been used in determining the depreciated replacement cost of Buildings and the revaluation amount as at 30 June 2011.

This useful life of Buildings reflects the expected cessation of market operations at the West Melbourne site in June 2014.

The following estimated useful lives are used in the calculation of depreciation:

| Asset Class        | Useful Life   |
|--------------------|---------------|
| Buildings          | 3 years       |
| Computer Equipment | 3 years       |
| Motor Vehicles     | 6 years       |
| Market Equipment   | 6 years       |
| Office Furniture   | 6 to 20 years |

Intangible produced assets with finite useful lives are amortised as an expense from transactions on a systematic (typically straight line) basis over the asset's useful life. 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.

Amortisation of an intangible non-produced asset with a finite useful life is not classified as a transaction and is included in the net result as another economic flow. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period.

The consumption of intangible non produced assets with finite useful lives is not classified as a transaction, but as amortisation and is included in the net result as an other economic flow.

Intangible assets with indefinite useful lives are not depreciated or amortised, but are tested annually for impairment.

### (iii) Interest expense

Interest expense (excluding swap interest which is classified as an other economic flow) is recognised in the period in which it is incurred. Refer to Glossary of terms and style conventions in Note 23 for an explanation of interest expense items.

### (iv) Supplies and services

Supplies and services expenses are recognised as an expense in the reporting period in which they are incurred and generally represent the day to day running costs incurred in normal operations.

### (v) Other operating expenses

Other operating expenses include donations made.

## (G) OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

(i) **Net gain/(loss) on non-financial assets**

Net gain/(loss) on non financial assets and liabilities includes realised and unrealised gains and losses as follows:

*Revaluation gains/(losses) of non-current physical assets*

Refer to Note 1(iv) Revaluations of non-financial physical assets.

*Disposal of non financial assets*

Any gain or loss on the sale of non financial assets is recognised at the date that control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying value of the asset at that time.

(ii) **Other gains/(losses) from other economic flows**

Other gains/(losses) from other economic flows include the gains or losses from:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates.

(H) **FINANCIAL INSTRUMENTS**

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the MMA's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract. However, guarantees issued by the Treasurer on behalf of the MMA are financial instruments because, although authorised under statute, the terms and conditions for each financial guarantee may vary and are subject to an agreement.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

**Categories of non derivative financial instruments**

(i) **Loans and receivables**

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets 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, less any impairment.

Loans and receivables category includes cash and deposits (refer to Note 1(i), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

(ii) **Financial liabilities at amortised cost**

Financial instrument liabilities 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.

Financial instrument liabilities measured at amortised cost include all payables, deposits held and advances received, and interest bearing arrangements other than those designated at fair value through profit or loss.

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

## (I) FINANCIAL ASSETS

### (i) Cash and deposits

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 includes bank overdrafts, which are included as borrowings on the balance sheet.

### (ii) Receivables

Receivables consist of:

- statutory receivables, which include predominantly amounts owing from the Victorian Government and GST input tax credits recoverable; and
- contractual receivables, which include mainly debtors in relation to goods and services, loans to third parties and accrued investment income.

Receivables that are contractual are classified as financial instruments. Statutory receivables are not classified as financial instruments.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less an allowance for impairment.

A provision for doubtful receivables is made when there is objective evidence that the debts may not be collected and bad debts are written off when identified (refer to Note 11(iv) Impairment of financial assets).

### (iii) Investments and other financial assets

Investments are classified in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and
- available for sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Any dividend or interest earned on the financial asset is recognised in the consolidated comprehensive operating statement as a transaction.

### (iv) Impairment of financial assets

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

Bad and doubtful debts for financial assets are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as 'other economic flows' in the net result.

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.

## (I) NON-FINANCIAL ASSETS

### (i) Property, plant and equipment

All non-current physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

**(ii) Leasehold improvements**

The cost of a leasehold improvement is capitalised as an asset and depreciated over the remaining term of the lease or the estimated useful life of the improvements, whichever is the shorter.

**(iii) Non current physical assets constructed by the MMA**

The cost of non current physical assets constructed by the MMA includes the cost of all materials used in construction, direct labour on the project, and an appropriate proportion of variable and fixed overheads.

**(iv) Revaluations of non current physical assets**

Non current physical assets are measured at fair value in accordance with FRD 103D issued by the Minister for Finance. A full revaluation normally occurs every five years, based on the asset's government purpose classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations and any interim revaluations are determined in accordance with the requirements of the FRDs.

Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Net revaluation increases (where the carrying amount of a class of assets is increased as a result of a revaluation) are recognised in other comprehensive income and accumulated in equity under the revaluation surplus, except that the net revaluation increase shall be recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same class of property, plant and equipment previously recognised as an expense (other economic flows) in the net result.

Net revaluation decreases are recognised immediately as expenses (other economic flows) in the net result, except that the net revaluation decrease shall be recognised in other comprehensive income to the extent that a credit balance exists in the revaluation surplus in respect of the same class of property, plant and equipment. The net revaluation decrease recognised in other comprehensive income reduces the amount accumulated in equity under revaluation surplus.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class but are not offset in respect of assets in different classes. Any revaluation surplus is not normally transferred to accumulated funds on de-recognition of the relevant asset.

Land controlled by the MMA is measured at fair value with regard to the Land's highest and best use after consideration is made for legal and/or constructive restrictions imposed on the Land. An additional allowance of 10% for Community Service Obligation to reflect the risk associated with the removal of the 'Public Use 7' zone restriction of the site, and the Government publicly recognised intention to relocate the market to Epping, has been made by the Valuer.

**(v) Intangible assets**

Purchased intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the MMA.

**(vi) Other non-financial assets**

*Prepayments*

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

## (K) LIABILITIES

### (i) Payables

Payables consist of:

- contractual payables, such as accounts payable, and unearned income including deferred income from concession arrangements. Accounts payable represent liabilities for goods and services provided to the Department prior to the end of the financial year that are unpaid, and arise when the Department becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

### (ii) Provisions

Provisions are recognised when the MMA has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a liability is the best estimate of the consideration required to settle the present obligation at reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using discount rate that reflects the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

### (iii) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

#### (a) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulating sick leave which are expected to be settled within 12 months of the reporting period, are recognised in the provision for employee benefits. These liabilities are classified as current liabilities and measured at their nominal values.

Those liabilities that are not expected to be settled within 12 months are recognised in the provision for employee benefits as current liabilities, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

#### (b) Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

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

The components of this current LSL liability are measured at:

- nominal value - component that the MMA expects to settle within 12 months; and
- present value - component that the MMA does not expect to 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 liability is measured at present value. Any gain or loss following revaluation of the present value of non current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow (refer to Note 1G Other economic flows include in net result).

*(c) Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The MMA recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

*(d) Employee benefits on-costs*

Employee benefits on-costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision for employee benefits.

**(iv) Operating leases**

**The MMA as lessor**

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

**The MMA as lessee**

Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

**(L) COMMITMENTS**

Commitments are disclosed at their nominal value and inclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated.

**(M) CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

**(N) ACCOUNTING FOR THE GOODS AND SERVICES TAX (GST)**

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

**(O) EVENTS AFTER THE REPORTING PERIOD**

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the MMA and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting period and before the date the financial statements are authorised for issue, where those events provide information about conditions which existed in the reporting period. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period and which may have a material impact on the results of subsequent reporting periods.

**(P) AASs ISSUED THAT ARE NOT YET EFFECTIVE**

Certain new AASs have been published that are not mandatory for the 30 June 2011 reporting period. DTF assesses the impact of all these new standards and advises the MMA of their applicability and early adoption where applicable.

As at 30 June 2011, the following standards and interpretations that are applicable to the MMA had been issued but are not mandatory for the financial year ending 30 June 2011. Standards and Interpretations that are not applicable to the MMA have been omitted. The MMA has not early adopted these standards.

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

| Standard/Interpretation  | Summary   | Applicable for annual reporting periods beginning on | Impact on departmental financial statements  |
|--|---|--|--|
| AASB 9 Financial instruments   | This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).   | Beginning 1 Jan 2013                                 | Detail of impact is still being assessed.  |
| AASB 124 Related Party Disclosures (Dec 2009)  | Government related entities have been granted partial exemption with certain disclosure requirements.   | Beginning 1 Jan 2011                                 | Preliminary assessment suggests the impact is insignificant.<br><br>However, the MMA is still assessing the detailed impact and whether to early adopt.  |
| AASB 1053 Application of Tiers of Australian Accounting Standards  | This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.  | Beginning 1 July 2013                                | The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented to the Victorian Public Sector. |
| AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12] | This Standard gives effect to consequential changes arising from the issuance of AASB 9.  | Beginning 1 Jan 2013                                 | Detail of impact is still being assessed.  |
| AASB 2009-12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and Interpretations 2, 4, 16, 1039 and 1052]   | This standard amends AASB 8 to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for purposes of certain operating segment disclosures.<br><br>This standard also makes numerous editorial amendments to other AASs. | Beginning 1 Jan 2011                                 | The amendments only apply to those entities to whom AASB 8 applies, which are for-profit entities except for-profit government departments.<br><br>Detail of impact is still being assessed.                               |
| AASB 2009-14 Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]   | Amendments to Interpretation 14 arise from the issuance of prepayments of a minimum funding requirement.  | Beginning 1 Jan 2011                                 | Expected to have no significant impact.  |

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

| Standard/Interpretation  | Summary  | Applicable for annual reporting periods beginning on | Impact on departmental financial statements   |
|--|--|--|---|
| AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements   | This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities.. | Beginning 1 July 2013                                | Does not affect financial measurement or recognition, so is not expected to have any impact on financial result or position. May reduce some note disclosures in financial statements.                        |
| AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]   | This Standard makes numerous improvements designed to enhance the clarity of standards.  | Beginning 1 Jan 2011                                 | No significant impact on the financial statements..   |
| AASB 2010-5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]   | This amendment contains editorial corrections to a range of Australian Accounting Standards and Interpretations, which includes amendments to reflect changes made to the text of IFRSs by the IASB.                 | Beginning 1 Jan 2011                                 | No significant impact on the financial statements..   |
| AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]   | This amendment adds and changes disclosure requirements about the transfer of financial assets. This includes the nature and risk of the financial assets.   | Beginning 1 July 2011                                | This may impact on departments and public sector entities as it creates additional disclosure for transfers of financial assets.<br><br>Detail of impact is still being assessed.                             |
| AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] | These amendments are in relation to the introduction of AASB 9.  | Beginning 1 Jan 2013                                 | This amendment may have an impact on departments and public sector bodies as AASB 9 is a new standard and it changes the requirements of numerous standards.<br><br>Detail of impact is still being assessed. |
| AASB 2010-8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 112]   | This amendment provides a practical approach for measuring deferred tax assets and deferred tax liabilities when measuring investment property by using the fair value model in AASB 140 Investment Property.        | Beginning 1 Jan 2012                                 | This amendment provides additional clarification through practical guidance.  |

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

| Standard/Interpretation  | Summary   | Applicable for annual reporting periods beginning on | Impact on departmental financial statements   |
|--|---|--|---|
| AASB 2010-9 Amendments to Australian Accounting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1]  | This amendment provides guidance for entities emerging from severe hyperinflation who are going to resume presenting Australian Accounting Standards financial statements or entities that are going to present Australian Accounting Standards financial statements for the first time. It provides relief for first-time adopters from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards. | Beginning 1 July 2011                                | Amendment unlikely to impact on public sector entities.   |
| AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113] | This amendment affects multiple Australian Accounting Standards and AASB Interpretations for the objective of increased alignment with IFRSs and achieving harmonisation between both Australian and New Zealand Standards. It achieves this by removing guidance and definitions from some Australian Accounting Standards, without changing their requirements.   | Beginning 1 July 2011                                | This amendment will have no significant impact on public sector bodies.   |
| AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirements [AASB 101 & AASB 1054]   | The objective of this amendment is to include some additional disclosure from the Trans-Tasman Convergence Project and to reduce disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards - Reduced Disclosure Requirements.   | Beginning 1 July 2013                                | The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented to Victorian Public Sector.                     |
| AASB 2011-3 Amendments to Australian Accounting Standards - Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]   | This amends AASB 1049 to clarify the definition of the ABS GFS Manual, and to facilitate the adoption of changes to the ABS GFS Manual and related disclosures.   | Beginning 1 July 2012                                | This amendment provides clarification to users on the version of the GFS Manual to be used and what to disclose if the latest GFS Manual is not used. No impact on performance measurements will occur. |

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

## NOTE 2 INCOME FROM TRANSACTIONS

|   | 2011              | 2010              |
|---|-------------------|-------------------|
| <b>(a) RENTAL INCOME</b>                | \$                | \$                |
| Rents received for:                     |                   |                   |
| - Fruit and vegetable trading stands    | 4,456,730         | 4,466,568         |
| - Wholesale stores and warehouses       | 9,136,787         | 8,686,914         |
| - National Flower Centre trading stands | 1,382,931         | 1,354,252         |
| - Other commercial rents                | 2,048,648         | 1,988,614         |
| - Parking                               | 3,152,779         | 3,083,036         |
| <b>Total rental income</b>              | <b>20,177,876</b> | <b>19,579,384</b> |
| <b>(b) INTEREST</b>                     |                   |                   |
| Interest on bank deposits               | 2,435,850         | 1,494,435         |
| <b>Total interest revenue</b>           | <b>2,435,850</b>  | <b>1,494,435</b>  |
| <b>(c) GRANTS</b>                       |                   |                   |
| General purpose                         | 15,000            | -                 |
| <b>Total grants</b>                     | <b>15,000</b>     | <b>-</b>          |
| <b>(d) OTHER INCOME</b>                 |                   |                   |
| Marketing revenues                      | 157,156           | 197,836           |
| Other                                   | 234,412           | 198,609           |
| <b>Total other income</b>               | <b>391,569</b>    | <b>396,445</b>    |

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

## NOTE 3 EXPENSES FROM TRANSACTIONS

|  | 2011             | 2010             |
|--|------------------|------------------|
| <b>(a) EMPLOYEE EXPENSES</b>   | \$               | \$               |
| Post employment benefits:  |                  |                  |
| Defined contribution superannuation expense                                    | 269,412          | 218,489          |
| Defined benefit superannuation expense   | 112,632          | 28,593           |
| Termination benefits   | 38,323           | 170,886          |
| Salaries, wages and long service leave   | 3,254,108        | 3,137,860        |
| <b>Total employee expenses</b>   | <b>3,674,475</b> | <b>3,555,828</b> |
| <b>(b) DEPRECIATION AND AMORTISATION</b>                                       |                  |                  |
| Buildings  | 3,246,165        | 4,526,879        |
| Plant, equipment & vehicles  | 239,362          | 305,787          |
| Intangible produced assets   | 91,358           | 99,293           |
| <b>Total depreciation and amortisation</b>                                     | <b>3,576,885</b> | <b>4,931,959</b> |
| <b>(c) INTEREST EXPENSE</b>  |                  |                  |
| Interest on government loan  | -                | 1,830            |
| <b>Total interest expense</b>  | <b>-</b>         | <b>1,830</b>     |
| <b>(d) SUPPLIES &amp; SERVICES</b>   |                  |                  |
| - Market operations  | 3,353,034        | 3,265,141        |
| - Repairs and maintenance  | 912,035          | 941,324          |
| - Fuels, rates and taxes   | 899,486          | 866,444          |
| - Marketing and media  | 724,736          | 707,891          |
| - Audit and insurance  | 606,505          | 677,560          |
| - Professional services  | 240,875          | 282,825          |
| - Other  | 653,185          | 647,651          |
| <b>Total supplies and services</b>   | <b>7,389,857</b> | <b>7,388,837</b> |
| <b>(e) OTHER OPERATING EXPENSES</b>  |                  |                  |
| Fair value assets and services provided for nominal consideration              |                  |                  |
| - Market operations  | 6,100            | 4,000            |
| <b>Total fair value assets and services provided for nominal consideration</b> | <b>6,100</b>     | <b>4,000</b>     |

## NOTE 4 OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT

|  | 2011            | 2010            |
|--|-----------------|-----------------|
| <b>(a) NET GAIN/(LOSS) ON NON-FINANCIAL ASSETS</b>           |                 | \$              |
| Net gain/(loss) on disposal of property, plant and equipment | 12,105          | (10,236)        |
| <b>Total net gain/(loss) on non-financial assets</b>         | <b>12,105</b>   | <b>(10,236)</b> |
| <b>(b) OTHER GAINS/(LOSSES) FROM OTHER ECONOMIC FLOWS</b>    |                 |                 |
| Net gain/(loss) arising from revaluation of leave liability* | (47,106)        | (14,537)        |
| <b>Total net gain/(loss) from other economic flows</b>       | <b>(47,106)</b> | <b>(14,537)</b> |

\* Note: Revaluation gain/(loss) is due to changes in bond rates.

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

## NOTE 5 PROVISIONS

|   | 2011           | 2010           |
|---|----------------|----------------|
| <b>CURRENT</b>  | \$             | \$             |
| Employee benefits - annual leave  |                |                |
| All entitlements that fall due within 12 months measured at nominal value   | 179,377        | 170,624        |
| Employee benefits - long service leave  |                |                |
| Entitlement representing >7 years continuous service, that do not fall due within 12 months measured at present value | 374,792        | 349,549        |
| Employee benefits   | 554,169        | 520,173        |
| Provisions relating to employee benefit on-costs  | 78,692         | 74,281         |
| <b>Total current provisions</b>   | <b>632,861</b> | <b>594,454</b> |
| <b>NON-CURRENT</b>  |                |                |
| Employee benefits - long service leave  |                |                |
| Entitlement representing <7 years of continuous service measured at present value                                     | 102,226        | 94,543         |
| Provisions relating to employee benefit on-costs  | 14,516         | 13,501         |
| <b>Total non-current provisions</b>   | <b>116,742</b> | <b>108,044</b> |
| <b>Total provisions</b>   | <b>749,603</b> | <b>702,498</b> |
| <b>Movement in Provisions</b>   |                |                |
| Opening balance   | 702,498        | 687,961        |
| Additional provisions recognised  | 47,105         | 14,537         |
| <b>Closing balance</b>  | <b>749,603</b> | <b>702,498</b> |

## NOTE 6 PROPERTY, PLANT AND EQUIPMENT

### GROSS CARRYING AMOUNT AND ACCUMULATED DEPRECIATION

|   | Gross Carrying Amount |                    | Accumulated Depreciation |                   | Net Carrying Amount |                   |
|---|-----------------------|--------------------|--------------------------|-------------------|---------------------|-------------------|
|   | 2011                  | 2010               | 2011                     | 2010              | 2011                | 2010              |
|   | \$                    | \$                 | \$                       | \$                | \$                  | \$                |
| Land at fair value                        |                       |                    |                          |                   |                     |                   |
| at Managerial valuation 30/6/08           | -                     | 77,480,000         | -                        | -                 | -                   | 77,480,000        |
| at Independent valuation 30/6/11          | 81,000,000            | -                  | -                        | -                 | 81,000,000          | -                 |
| Buildings at fair value                   |                       |                    |                          |                   |                     |                   |
| at Independent valuation 30/6/06          | -                     | 28,640,348         | -                        | 23,952,313        | -                   | 4,688,035         |
| at Cost                                   | -                     | 3,083,504          | -                        | 362,174           | -                   | 2,721,330         |
| at Independent valuation 30/6/11          | 10,801,000            | -                  | -                        | -                 | 10,801,000          | -                 |
| Plant, equipment and vehicles             |                       |                    |                          |                   |                     |                   |
| - Market equipment                        | 887,800               | 1,002,425          | 686,222                  | 754,469           | 201,578             | 247,956           |
| - Motor vehicles                          | 373,889               | 415,687            | 202,563                  | 205,310           | 171,326             | 210,377           |
| - Computer equipment                      | 765,984               | 704,109            | 700,801                  | 583,628           | 65,183              | 120,481           |
| - Office, plant and equipment             | 297,875               | 297,875            | 288,136                  | 282,070           | 9,739               | 15,805            |
| Plant, equipment & vehicles at fair value | 2,325,548             | 2,420,096          | 1,877,722                | 1,825,477         | 447,826             | 594,619           |
| <b>Total amount</b>                       | <b>94,126,548</b>     | <b>111,623,948</b> | <b>1,877,722</b>         | <b>26,139,964</b> | <b>92,248,826</b>   | <b>85,483,984</b> |

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

## NOTE 6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### FREEHOLD LAND AND BUILDINGS CARRIED AT FAIR VALUE

An independent valuation of MMA's land and buildings was performed by the VGV at 30 June 2011 to determine the fair value. The valuation, which conforms to AAS, was determined by reference to the amounts for which assets could be exchanged between knowledgeable and willing parties in an arm's length transaction. Fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings of comparable size and location to MMA. The valuation was based on independent assessments. As a result, a land revaluation increment of \$3.5M and a building increment of \$6.6M was recorded as at 30 June 2011.

### MOVEMENTS IN CARRYING AMOUNTS

|                                       | Freehold<br>land | Buildings     | Market<br>Equip. | Motor<br>Vehicles | Computer<br>Equip. | Office<br>Plant &<br>Equip. | Total         |
|---------------------------------------|------------------|---------------|------------------|-------------------|--------------------|-----------------------------|---------------|
|                                       | \$000            | \$000         | \$000            | \$000             | \$000              | \$000                       | \$000         |
| <b>YEAR 2011:</b>                     |                  |               |                  |                   |                    |                             |               |
| Carrying amount at start of year      | 77,480           | 7,409         | 248              | 210               | 121                | 16                          | 85,484        |
| Additions                             | -                | -             | 23               | 81                | 62                 | -                           | 166           |
| Net revaluation increments            | 3,520            | 6,638         | -                | -                 | -                  | -                           | 10,158        |
| Disposals                             | -                | -             | -                | (74)              | -                  | -                           | (74)          |
| Depreciation expense                  | -                | (3,246)       | (69)             | (46)              | (118)              | (6)                         | (3,485)       |
| <b>Carrying amount at end of year</b> | <b>81,000</b>    | <b>10,801</b> | <b>202</b>       | <b>171</b>        | <b>65</b>          | <b>10</b>                   | <b>92,249</b> |
| <b>YEAR 2010:</b>                     |                  |               |                  |                   |                    |                             |               |
| Carrying amount at start of year      | 77,480           | 11,913        | 130              | 225               | 223                | 20                          | 89,991        |
| Additions                             | -                | 23            | 203              | 116               | 57                 | 4                           | 403           |
| Net revaluation increments            | -                | -             | -                | -                 | -                  | -                           | -             |
| Disposals                             | -                | -             | -                | (78)              | -                  | -                           | (78)          |
| Depreciation expense                  | -                | (4,527)       | (85)             | (53)              | (159)              | (8)                         | (4,832)       |
| <b>Carrying amount at end of year</b> | <b>77,480</b>    | <b>7,409</b>  | <b>248</b>       | <b>210</b>        | <b>121</b>         | <b>16</b>                   | <b>85,484</b> |

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

## NOTE 7 INTANGIBLE ASSETS

|  | 2011               | 2010               |
|--|--------------------|--------------------|
| <b>SOFTWARE</b>                          | \$                 | \$                 |
| <b>Gross carrying amount</b>             |                    |                    |
| Opening balance                          | 1,109,269          | 1,027,817          |
| Additions                                | 138,018            | 81,452             |
| <b>Closing balance</b>                   | <b>1,247,287</b>   | <b>1,109,269</b>   |
| <b>Accumulated amortisation</b>          |                    |                    |
| Opening balance                          | (1,034,487)        | (935,194)          |
| Amortisation expense*                    | (91,358)           | (99,293)           |
| <b>Closing balance</b>                   | <b>(1,125,845)</b> | <b>(1,034,487)</b> |
| <b>Net book value as at 30 June 2011</b> | <b>121,442</b>     | <b>74,782</b>      |

\* Note: The consumption of intangible produced assets is included in 'depreciation' line item, where the consumption of intangible non-produced assets is included in 'net gain/(loss) on non-financial assets' line item in the comprehensive operating statement.

MMA has a contractual commitment with Theta Technologies Pty Ltd for the acquisition of 'Information Leader' software. MMA had recognised \$9,000 of a \$68,500 contract as at 30 June 2011.

## NOTE 8 RECEIVABLES

|                                 | 2011             | 2010           |
|---------------------------------|------------------|----------------|
| <b>CURRENT RECEIVABLES</b>      | \$               | \$             |
| <b>Contractual</b>              |                  |                |
| Rental income                   | 63,123           | 52,748         |
| Accrued investment income - TCV | 1,019,658        | 657,885        |
| <b>Total receivables</b>        | <b>1,082,781</b> | <b>710,633</b> |

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

## NOTE 9 PAYABLES

|                                   | 2011             | 2010             |
|-----------------------------------|------------------|------------------|
| <b>CURRENT PAYABLES</b>           | \$               | \$               |
| <b>Contractual</b>                |                  |                  |
| Supplies and services             | 823,127          | 1,153,899        |
| Rentals in advance                | 1,391,614        | 1,379,346        |
|                                   | <u>2,214,741</u> | <u>2,533,245</u> |
| <b>Statutory</b>                  |                  |                  |
| Taxes payable                     | 506,305          | 108,279          |
| <b>Total current payables*</b>    | <u>2,721,046</u> | <u>2,641,524</u> |
| <b>NON-CURRENT PAYABLES</b>       |                  |                  |
| <b>Contractual</b>                |                  |                  |
| Tenant bonds and retention monies | 409,394          | 388,666          |
| <b>Total non-current payables</b> | <u>409,394</u>   | <u>388,666</u>   |
| <b>Total Payables</b>             | <u>3,130,440</u> | <u>3,030,190</u> |

\* Note: 2011 - Includes Land Tax payable to State Revenue Office \$364,622.

## NOTE 10 INVESTMENTS AND OTHER FINANCIAL ASSETS

|   | 2011              | 2010              |
|---|-------------------|-------------------|
| <b>CURRENT INVESTMENTS AND OTHER FINANCIAL ASSETS</b> | \$                | \$                |
| <b>Current investments and other financial assets</b> |                   |                   |
| <b>Term deposits:</b>                                 |                   |                   |
| Australian dollar term deposits > 3 months            | 50,000,000        | 38,000,000        |
| <b>Total investments</b>                              | <u>50,000,000</u> | <u>38,000,000</u> |

\* Note: Term deposits class include only term deposits with maturity greater than 90 days.

## NOTE 11 RESERVES

|  | 2011              | 2010              |
|--|-------------------|-------------------|
| <b>PHYSICAL ASSET REVALUATION SURPLUS*</b> | \$                | \$                |
| Balance at beginning of financial year     | 40,780,000        | 40,780,000        |
| Revaluation increments/(decrements)        | 10,157,800        | -                 |
| <b>Balance at end of financial year</b>    | <u>50,937,800</u> | <u>40,780,000</u> |
| Net changes in reserves                    | 10,157,800        | -                 |

\* Note: The physical asset revaluation surplus arises on the revaluation of land and buildings.

## NOTE 12 FINANCIAL INSTRUMENTS

### (a) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The MMA's principal financial instruments comprise of:

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

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 1 to the financial statements.

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

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

The MMA uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Finance, Audit and Risk Management Committee of the MMA.

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

## NOTE 12 FINANCIAL INSTRUMENTS (CONTINUED)

### (ai) Categorisation of financial instruments

|  | Contractual<br>financial<br>assets -<br>loans and<br>receivables | Contractual<br>financial<br>liabilities at<br>amortised<br>cost | Total             |
|--|--|---|-------------------|
| <b>YEAR 2011:</b>                                | \$   | \$  | \$                |
| <b>Contractual financial assets</b>              |  |   |                   |
| Cash and deposits                                | 5,681,112  | -   | 5,681,112         |
| Receivables*                                     |  |   |                   |
| - Rental income                                  | 63,123   | -   | 63,123            |
| - Accrued investment income                      | 1,019,658  | -   | 1,019,658         |
| Investments & other contractual financial assets |  |   |                   |
| - Term deposits                                  | 50,000,000   | -   | 50,000,000        |
| <b>Total contractual financial assets</b>        | <b>56,763,893</b>  | <b>-</b>  | <b>56,763,893</b> |
| <b>Contractual financial liabilities</b>         |  |   |                   |
| Payables*  |  |   |                   |
| - Supplies and services                          | -  | 823,127   | 823,127           |
| - Other payables                                 | -  | 1,801,008   | 1,801,008         |
| <b>Total contractual financial liabilities</b>   | <b>-</b>   | <b>2,624,135</b>  | <b>2,624,135</b>  |
| <b>YEAR 2010</b>                                 | \$   | \$  | \$                |
| <b>Contractual financial assets</b>              |  |   |                   |
| Cash and deposits                                | 6,217,391  | -   | 6,217,391         |
| Receivables*                                     |  |   |                   |
| - Rental income                                  | 52,748   | -   | 52,748            |
| - Accrued investment income                      | 657,884  | -   | 657,884           |
| Investments & other contractual financial assets |  |   |                   |
| - Term deposits                                  | 38,000,000   | -   | 38,000,000        |
| <b>Total contractual financial assets</b>        | <b>44,928,023</b>  | <b>-</b>  | <b>44,928,023</b> |
| <b>Contractual financial liabilities</b>         |  |   |                   |
| Payables*  |  |   |                   |
| - Supplies and services                          | -  | 1,153,899   | 1,153,899         |
| - Other payables                                 | -  | 1,768,012   | 1,768,012         |
| <b>Total contractual financial liabilities</b>   | <b>-</b>   | <b>2,921,911</b>  | <b>2,921,911</b>  |

\* Note: The total amounts disclosed here exclude statutory amounts (ie. amounts owing from Victorian Government, GST input tax credit recoverable and taxes payable).

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

## NOTE 12 FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Net holding gain/(loss) on financial instruments by category

|   | Net holding<br>gain/(loss) | Total interest<br>income/<br>(expense) | Fee income/<br>(expense) | Impairment<br>loss | Total     |
|---|----------------------------|--|--------------------------|--------------------|-----------|
| <b>YEAR 2011:</b>                                     | \$                         | \$                                     | \$                       | \$                 | \$        |
| <b>Contractual financial assets</b>                   |                            |  |                          |                    |           |
| Financial assets designated at fair value through P&L | -                          | 2,435,850                              | -                        | -                  | 2,435,850 |
| Financial assets - loans and receivables              | -                          | -                                      | -                        | -                  | -         |
| <b>Total contractual financial assets</b>             | -                          | 2,435,850                              | -                        | -                  | 2,435,850 |
| <b>Contractual financial liabilities</b>              |                            |  |                          |                    |           |
| Financial liabilities at amortised cost               | -                          | -                                      | -                        | -                  | -         |
| Financial assets - loans and receivables              | -                          | -                                      | -                        | -                  | -         |
| <b>Total contractual financial liabilities</b>        | -                          | -                                      | -                        | -                  | -         |
| <b>YEAR 2010:</b>                                     |                            |  |                          |                    |           |
| <b>Contractual financial assets</b>                   |                            |  |                          |                    |           |
| Financial assets designated at fair value through P&L | -                          | 1,494,435                              | -                        | -                  | 1,494,435 |
| Financial assets - loans and receivables              | -                          | -                                      | -                        | -                  | -         |
| <b>Total contractual financial assets</b>             | -                          | 1,494,435                              | -                        | -                  | 1,494,435 |
| <b>Contractual financial liabilities</b>              |                            |  |                          |                    |           |
| Financial liabilities at amortised cost               | -                          | (1,830)                                | -                        | -                  | (1,830)   |
| Financial assets - loans and receivables              | -                          | -                                      | -                        | -                  | -         |
| <b>Total contractual financial liabilities</b>        | -                          | (1,830)                                | -                        | -                  | (1,830)   |

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

## NOTE 12 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) CREDIT RISK

The amount of credit risk on contractual financial assets of the MMA, which have been recognised on the Balance Sheet, is generally the carrying amount.

### AGEING ANALYSIS OF CONTRACTUAL FINANCIAL ASSETS

|  | Carrying Amount   | Not past due and not impaired | Past due but not impaired |               |                |           | Impaired financial assets |
|--|-------------------|-------------------------------|---------------------------|---------------|----------------|-----------|---------------------------|
|  |                   |                               | < 1 mth                   | 1-3 mths      | 3 mths -1 year | 1-5 years |                           |
| <b>YEAR 2011:</b>                                | \$                | \$                            | \$                        | \$            | \$             | \$        | \$                        |
| Cash and deposits                                | 5,681,112         | 5,681,112                     | -                         | -             | -              | -         | -                         |
| Receivables*                                     |                   |                               |                           |               |                |           |                           |
| - Accrued investment income                      | 1,019,658         | 1,019,658                     | -                         | -             | -              | -         | -                         |
| - Rental income                                  | 63,123            | 20,501                        | 32,009                    | 10,613        | -              | -         | -                         |
| Investments & other contractual financial assets |                   |                               |                           |               |                |           |                           |
| - Term deposits                                  | 50,000,000        | 50,000,000                    | -                         | -             | -              | -         | -                         |
| <b>Total</b>                                     | <b>56,763,893</b> | <b>56,721,271</b>             | <b>32,009</b>             | <b>10,613</b> | <b>-</b>       | <b>-</b>  | <b>-</b>                  |
| <b>YEAR 2010:</b>                                |                   |                               |                           |               |                |           |                           |
| Cash and deposits                                | 6,217,391         | 6,217,391                     | -                         | -             | -              | -         | -                         |
| Receivables*                                     |                   |                               |                           |               |                |           |                           |
| - Accrued investment income                      | 657,884           | 657,884                       | -                         | -             | -              | -         | -                         |
| - Rental income                                  | 52,748            | 8,350                         | 35,776                    | 8,622         | -              | -         | -                         |
| Investments & other contractual financial assets |                   |                               |                           |               |                |           |                           |
| - Term deposits                                  | 38,000,000        | 38,000,000                    | -                         | -             | -              | -         | -                         |
| <b>Total</b>                                     | <b>44,928,023</b> | <b>44,883,625</b>             | <b>35,776</b>             | <b>8,622</b>  | <b>-</b>       | <b>-</b>  | <b>-</b>                  |

\* Note: The carrying amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable).

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

## NOTE 12 FINANCIAL INSTRUMENTS (CONTINUED)

### (c) LIQUIDITY RISK

The MMA's exposure to liquidity risk is deemed insignificant. The organisation is able to meet its financial obligations as they fall due.

The following table discloses the contractual maturity analysis for the MMA's financial liabilities.

### MATURITY ANALYSIS OF CONTRACTUAL FINANCIAL LIABILITIES

Presented using the contractual undiscounted cashflows

|                       | Carrying Amount  | Nominal amount   | Maturity dates   |          |               |                |          |
|-----------------------|------------------|------------------|------------------|----------|---------------|----------------|----------|
|                       |                  |                  | < 1 mth          | 1-3 mths | 3mths -1 year | 1-5 years      | 5+ years |
| <b>YEAR 2011:</b>     | \$               | \$               | \$               | \$       | \$            | \$             | \$       |
| <b>Payables*</b>      |                  |                  |                  |          |               |                |          |
| Supplies and services | 823,127          | 823,127          | 823,127          | -        | -             | -              | -        |
| Other payables        | 1,801,008        | 1,801,008        | 1,391,614        | -        | -             | 409,394        | -        |
| <b>Total</b>          | <b>2,624,135</b> | <b>2,624,135</b> | <b>2,214,741</b> | <b>-</b> | <b>-</b>      | <b>409,394</b> | <b>-</b> |
| <b>YEAR 2010:</b>     |                  |                  |                  |          |               |                |          |
| <b>Payables*</b>      |                  |                  |                  |          |               |                |          |
| Supplies and services | 1,153,899        | 1,153,899        | 1,153,899        | -        | -             | -              | -        |
| Other payables        | 1,768,012        | 1,768,012        | 1,379,346        | -        | -             | 388,666        | -        |
| <b>Total</b>          | <b>2,921,911</b> | <b>2,921,911</b> | <b>2,533,245</b> | <b>-</b> | <b>-</b>      | <b>388,666</b> | <b>-</b> |

\* Note: The carrying amounts disclosed exclude statutory payables (e.g. GST payable).

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

## NOTE 12 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) MARKET RISK

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

### INTEREST RATE RISK SENSITIVITY

|  | Weighted average interest rate % | Carrying amount   | Interest rate exposure |                        |                      |
|--|----------------------------------|-------------------|------------------------|------------------------|----------------------|
|  |                                  |                   | Fixed interest rate    | Variable interest rate | Non-interest bearing |
| <b>YEAR 2011:</b>                                |                                  | \$                | \$                     | \$                     | \$                   |
| <b>Financial Assets</b>                          |                                  |                   |                        |                        |                      |
| Cash and deposits                                | 4.62%                            | 5,681,112         | -                      | 5,678,605              | 2,507                |
| Receivables*                                     |                                  |                   |                        |                        |                      |
| - Accrued investment income                      | -                                | 1,019,658         | 1,003,266              | 16,392                 | -                    |
| - Rental income                                  | -                                | 63,123            | -                      | -                      | 63,123               |
| Investments & other contractual financial assets |                                  |                   |                        |                        |                      |
| - Term deposits                                  | 4.94%                            | 50,000,000        | 50,000,000             | -                      | -                    |
| <b>Total financial assets</b>                    |                                  | <b>56,763,893</b> | <b>51,003,266</b>      | <b>5,694,997</b>       | <b>65,630</b>        |
| <b>Financial Liabilities</b>                     |                                  |                   |                        |                        |                      |
| Payables*  |                                  |                   |                        |                        |                      |
| - Supplies and services                          | -                                | 823,127           | -                      | -                      | 823,127              |
| - Other payables                                 | -                                | 1,801,008         | -                      | -                      | 1,801,008            |
| <b>Total financial liabilities</b>               |                                  | <b>2,624,135</b>  | <b>-</b>               | <b>-</b>               | <b>2,624,135</b>     |
| <b>YEAR 2010:</b>                                |                                  |                   |                        |                        |                      |
| <b>Financial Assets</b>                          |                                  |                   |                        |                        |                      |
| Cash and deposits                                | 3.68%                            | 6,217,391         | -                      | 6,214,977              | 2,414                |
| Receivables*                                     |                                  |                   |                        |                        |                      |
| - Accrued investment income                      | -                                | 657,884           | 640,169                | 17,715                 | -                    |
| - Rental income                                  | -                                | 52,748            | -                      | -                      | 52,748               |
| Investments & other contractual financial assets |                                  |                   |                        |                        |                      |
| - Term deposits                                  | 3.75%                            | 38,000,000        | 38,000,000             | -                      | -                    |
| <b>Total financial assets</b>                    |                                  | <b>44,928,023</b> | <b>38,640,169</b>      | <b>6,232,692</b>       | <b>55,162</b>        |
| <b>Financial Liabilities</b>                     |                                  |                   |                        |                        |                      |
| Payables*  |                                  |                   |                        |                        |                      |
| - Supplies and services                          | -                                | 1,153,899         | -                      | -                      | 1,153,899            |
| - Other payables                                 | -                                | 1,768,012         | -                      | -                      | 1,768,012            |
| <b>Total financial liabilities</b>               |                                  | <b>2,921,911</b>  | <b>-</b>               | <b>-</b>               | <b>2,921,911</b>     |

\* Note: The carrying amounts disclosed here exclude statutory amounts (eg. amounts owing from Victorian Government, GST input tax credit recoverable and GST payables).

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

## NOTE 12 FINANCIAL INSTRUMENTS (CONTINUED)

### MARKET RISK EXPOSURE - INTEREST RATE

|  | Carrying Amount | Interest Rate Risk |                   |
|--|-----------------|--------------------|-------------------|
|  |                 | -100 Basis Points  | +100 Basis Points |
| YEAR 2011  | \$              | \$                 | \$                |
| Contractual financial assets                     |                 |                    |                   |
| Cash and deposits                                | 5,681,112       | (56,811)           | 56,811            |
| Investments & other contractual financial assets | 50,000,000      | -                  | -                 |
| Contractual financial liabilities                | -               | -                  | -                 |
| <b>Total Impact</b>                              | <b>-</b>        | <b>(56,811)</b>    | <b>56,811</b>     |
| YEAR 2010  |                 |                    |                   |
| Contractual financial assets                     |                 |                    |                   |
| Cash and deposits                                | 6,217,391       | (62,174)           | 62,174            |
| Investments & other contractual financial assets | 38,000,000      | -                  | -                 |
| Contractual financial liabilities                | -               | -                  | -                 |
| <b>Total Impact</b>                              | <b>-</b>        | <b>(62,174)</b>    | <b>62,174</b>     |

#### (e) FAIR VALUE

The aggregate net fair values of financial assets and liabilities, both recognised and unrecognised, at the balance date are equal to their carrying amount as per the balance sheet.

## NOTE 13 RESPONSIBLE PERSONS

In accordance with the 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 MMA are as follows:

|                             |                         |                                   |
|-----------------------------|-------------------------|-----------------------------------|
| Minister for Major Projects | The Hon. Tim Pallas     | 1 July 2010 to 2 December 2010    |
| Minister for Major Projects | The Hon. Denis Napthine | 2 December 2010 to 30 June 2011   |
| Board Chairman              | Mr N J Lowe             | 1 July 2010 to 30 June 2011       |
| Board Member                | Ms J M Anderson         | 1 July 2010 to 20 April 2011      |
| Board Member                | Ms B Honig              | 1 July 2010 to 20 April 2011      |
| Board Member                | Ms B M Constance        | 1 July 2010 to 30 June 2011       |
| Board Member                | Ms N Kirkwood           | 20 October 2010 to 30 June 2011   |
| Board Member                | Ms G Marven             | 14 June 2011 to 30 June 2011      |
| Board Member                | Mr S J McArthur         | 14 June 2011 to 30 June 2011      |
| Chief Executive (Acting)    | Ms Y Pillay             | 1 July 2010 to 19 September 2010  |
| Chief Executive             | Mr A Crosthwaite        | 20 September 2010 to 30 June 2011 |

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

## NOTE 13 RESPONSIBLE PERSONS (CONTINUED)

### REMUNERATION

Remuneration received or receivable by the Accountable Officer in conjunction with the management of the MMA during the reporting period was in the range:

\$180,000 - 189,999 (2010: \$250,000 - 259,999)

Persons other than the Accountable Officer:

|                     | 2011   | 2010   |
|---------------------|--------|--------|
| Income Band         | No.    | No.    |
| \$0 - \$9,999       | -      | -      |
| \$10,000 - \$19,999 | 4      | 3      |
| \$20,000 - \$29,999 | -      | -      |
| \$30,000 - \$39,999 | 1      | 1      |
| Total Numbers       | 5      | 4      |
| Total Amount        | 97,337 | 92,704 |

Amounts relating to the Ministers 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.

## NOTE 14 REMUNERATION OF EXECUTIVES

The number of executive officers, other than the Minister and Accountable Officer, and their total remuneration during the reporting period is shown in the first two columns of the table below in their relevant income bands. The base remuneration of executives 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) EXECUTIVE OFFICER REMUNERATION

| Income Band         | Total Remuneration |           | Base Remuneration |         |
|---------------------|--------------------|-----------|-------------------|---------|
|                     | 2011               | 2010      | 2011              | 2010    |
|                     | No.                | No.       | No.               | No.     |
| \$100,000 - 109,999 | -                  | -         | 1                 | 1       |
| \$110,000 - 119,999 | 1                  | -         | -                 | -       |
| \$120,000 - 129,999 | 1                  | 1         | 2                 | 2       |
| \$130,000 - 139,999 | 2                  | 2         | 2                 | 2       |
| \$140,000 - 149,999 | 2                  | 2         | 2                 | 1       |
| \$150,000 - 159,999 | 1                  | 1         | -                 | 1       |
| \$160,000 - 169,999 | -                  | -         | 1                 | -       |
| \$170,000 - 179,999 | -                  | -         | -                 | -       |
| \$180,000 - 189,999 | -                  | -         | -                 | -       |
| \$190,000 - 199,999 | 1                  | 1         | -                 | -       |
| Total numbers       | 8                  | 7         | 8                 | 7       |
| Total amount        | 1,159,985          | 1,025,075 | 1,068,423         | 909,864 |

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

## NOTE 14 REMUNERATION OF EXECUTIVES (CONTINUED)

### (b) EXECUTIVE OFFICER DATA

Table 1: Number of Executive Officers classified into 'Ongoing'

| Class        | All      |          | Ongoing  |          |
|--------------|----------|----------|----------|----------|
|              | No.      | Var      | No.      | Var      |
| MMA          | 7        | -        | 7        | -        |
| <b>Total</b> | <b>7</b> | <b>-</b> | <b>7</b> | <b>-</b> |

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

| Class        | Male     |          | Female   |          | Vacancies |
|--------------|----------|----------|----------|----------|-----------|
|              | No.      | Var      | No.      | Var      |           |
| MMA          | 5        | -        | 2        | -        | -         |
| <b>Total</b> | <b>5</b> | <b>-</b> | <b>2</b> | <b>-</b> | <b>-</b>  |

Table 3: Reconciliation of Executive Numbers

|  | 2011     | 2010     |
|--|----------|----------|
|  | No.      | No.      |
| Executives with remuneration over \$100,000 (Note 14a) | 8        | 7        |
| Add Vacancies (Table 2)                                | -        | -        |
| Executives with total remuneration below \$100,000     | -        | -        |
| Accountable Officer (Secretary)                        | 1        | 1        |
| Less Separations                                       | (1)      | -        |
| <b>Total Executive numbers at 30 June 2011</b>         | <b>8</b> | <b>8</b> |

## NOTE 15 REMUNERATION OF AUDITORS

|   | 2011          | 2010          |
|---|---------------|---------------|
|   | \$            | \$            |
| Audit fees paid or payable to the Victorian Auditor-General's Office (VAGO) for audit of the MMA's financial report | 39,137        | 38,750        |
| <b>Amounts due and receivable by the Auditor-General</b>  | <b>39,137</b> | <b>38,750</b> |

## NOTE 16 COMMITMENTS FOR EXPENDITURE

The MMA has operating commitments to various service contracts extending forward a number of financial years. Details are noted below:

|   | 2011             | 2010             |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>Payable:</b>   | <b>\$</b>        | <b>\$</b>        |
| Not longer than 1 year                                      | 3,955,074        | 2,199,569        |
| Longer than 1 year but less than 5 years                    | -                | 24,526           |
| Longer than 5 years   | -                | -                |
| <b>Total commitments for expenditure (inclusive of GST)</b> | <b>3,955,074</b> | <b>2,224,094</b> |
| Less GST recoverable from the Australian Taxation Office    | (359,552)        | (202,190)        |
| <b>Total commitments for expenditure (exclusive of GST)</b> | <b>3,595,522</b> | <b>2,021,904</b> |

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

## NOTE 17 CONTINGENT ASSETS AND LIABILITIES

The MMA is awaiting formal notification from DBI that it will not be liable for clean-up or site-restoration costs beyond regular post-market cleaning on the planned cessation of market operations at the West Melbourne site in 2014-15. As a result this cost has not been quantified.

Part of MMA's investment funds (\$51M) have been included in DBI's relocation costing model and may be called upon to be allocated against costs in relocating market operations from West Melbourne to the Epping site. Investment funds have been disclosed in the financial statements.

## NOTE 18 SUPERANNUATION

### GOVERNMENT EMPLOYEES' SUPERANNUATION FUND

No liability is recognised in the Balance Sheet for the MMA's share of the 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.

Superannuation contributions for the reporting period are included as part of salaries and associated costs in the Comprehensive Operating Statement of the MMA and are contributed in accordance with respect to employee agreements at the rate of 9% to 14.5% (2010: 9% to 14.5%). The MMA has no loans outstanding to or from any superannuation fund.

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

|  | 2011    | 2010    |
|--|---------|---------|
| <b>Defined benefit plans:</b>                                | \$      | \$      |
| Vision Super<br>(2011: includes funding shortfall \$90,321)* | 112,631 | 28,593  |
| <b>Defined contribution plans:</b>                           |         |         |
| Vision Super   | 256,242 | 236,560 |
| Colonial Master Fund   | 45,129  | 26,446  |
| Macquarie Wrap Solutions                                     | 22,647  | 22,645  |
| VicSuper   | 21,926  | 51,847  |
| MLC Masterkey  | 19,468  | 22,775  |
| Fiducian Super   | 12,905  | -       |
| HESTA Super  | 12,451  | 12,994  |
| LUCRF Super  | 3,605   | 11,071  |
| Constance Family Super Fund                                  | 1,552   | 14,158  |

\* Note: Vision Super will perform a triennial review of the defined benefit fund on 31 December 2011. If it determines that a funding shortfall still exists, it will implement a funding plan during 2011/12 to ensure the fund is fully funded by 31 December 2013.

## NOTE 19 SUBSEQUENT EVENTS

Subsequent to 30 June 2011 the MMA was advised by the Minister that the relocation of the market at West Melbourne to Epping was not likely to occur until 2014/2015 at the earliest.

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

## NOTE 20 EX-GRATIA PAYMENTS

|  | 2011          | 2010          |
|--|---------------|---------------|
| Ex-gratia payments were made for the reimbursement of office costs to members of the MMA's | \$            | \$            |
| - 5 advisory committees  | 14,250        | 15,000        |
| - 3 relocation consultative committees   | 3,450         | 15,450        |
| <b>Amounts due and paid to committee members</b>   | <b>17,700</b> | <b>30,450</b> |

## NOTE 21 LEASES RECEIVABLE

Operating leases relate to operating property owned by the MMA with lease terms of between one to five years, with no option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period.

|  | 2011             | 2010              |
|--|------------------|-------------------|
| Non-cancellable operating leases receivable              | \$               | \$                |
| Not longer than 1 year                                   | 8,259,515        | 7,838,485         |
| Longer than 1 year but less than 5 years                 | -                | 5,313,234         |
| Longer than 5 years                                      | -                | -                 |
| <b>Total non-cancellable operating leases receivable</b> | <b>8,259,515</b> | <b>13,151,719</b> |

## NOTE 22 CASH FLOW INFORMATION

|   | 2011              | 2010              |
|---|-------------------|-------------------|
| (a) Reconciliation of cash & cash equivalents   | \$                | \$                |
| Total cash and deposits disclosed in the balance sheet                                      | 5,681,112         | 6,217,391         |
| <b>Balance as per cashflow statement</b>  | <b>5,681,112</b>  | <b>6,217,391</b>  |
| (b) Reconciliation of net result for the period to net cash flows from operating activities |                   |                   |
| <b>Net result for the period</b>  | <b>8,337,976</b>  | <b>5,563,038</b>  |
| <b>Non-cash movements</b>   |                   |                   |
| (Gain)/loss on disposal of non-current assets   | (12,105)          | 10,235            |
| Depreciation and amortisation of non-current assets   | 3,576,886         | 4,931,959         |
| <b>Movements in assets and liabilities</b>  |                   |                   |
| (Increase)/decrease in current receivables  | (372,149)         | (559,219)         |
| (Increase)/decrease in current prepayments  | 4,241             | (22,536)          |
| Increase/(decrease) in current provisions   | 47,106            | 14,537            |
| Increase/(decrease) in current rent in advance  | (2,732)           | (27,097)          |
| Increase/(decrease) in current payables   | 103,115           | 358,603           |
| <b>Net cash flows from/(used in) operating activities</b>                                   | <b>11,682,338</b> | <b>10,269,520</b> |

## NOTE 23 GLOSSARY OF TERMS AND STYLE CONVENTIONS

### **Actuarial gains or losses on superannuation defined benefit plans**

Actuarial gains or losses reflect movements in the superannuation liability resulting from differences between the assumptions used to calculate the superannuation expense from transactions and actual experience.

### **Amortisation**

Amortisation is the expense which results from the consumption, extraction or use overtime of a non-produced physical or intangible asset. This expense is classified as an other economic flow.

### **Comprehensive result**

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other non-owner movements in equity.

### **Capital asset charge**

The capital asset charge represents the opportunity cost of capital invested in the non financial physical assets used in the provision of outputs.

### **Commitments**

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

### **Depreciation**

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

### **Employee benefits expenses**

Employee benefits 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 payments**

Ex gratia payment is the gratuitous payment of money where no legal obligation exists.

### **Financial asset**

A financial asset is any asset that is:

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

### **Financial instrument**

A 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 assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

## Financial liability

A financial liability is any liability that is:

- (a) A contractual or statutory 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 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. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

## Financial statements

Depending on the context of the sentence where the term 'financial statements' is used, it may include only the main financial statements (i.e. comprehensive operating statement, balance sheet, cash flow statements, and statement of changes in equity); or it may also be used to replace the old term 'financial report' under the revised AASB 101 (September 2007), which means it may include the main financial statements and the notes.

## Grants and other transfers

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

## General government sector

The 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 which are mainly non-market in nature, those which are largely for collective consumption by the community and those which involve the transfer or redistribution of income. These services are financed mainly through taxes, or other compulsory levies and user charges.

## Intangible produced assets

Refer to produced assets in this glossary.

## Intangible non-produced assets

Refer to non-produced assets in this glossary.

## Interest expense

Costs incurred in connection with the borrowing of funds 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 income

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

## Net acquisition of non-financial assets (from transactions)

Purchases (and other acquisitions) of non financial assets, less sales (or disposals) of non financial assets, less depreciation, plus changes in inventories, and other movements in non financial assets. It includes only those increases or decreases in non financial assets resulting from transactions and therefore excludes write offs, impairment write downs and revaluations.

## Net result

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

## Net result from transactions/net operating balance

Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

## Net worth

Assets less liabilities, which is an economic measure of wealth.

## Non financial assets

Non financial assets are all assets that are not 'financial assets'. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, investment properties, cultural and heritage assets, intangible and biological assets.

## Other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. It includes:

- gains and losses from disposals, revaluations and impairments of non financial physical and intangible assets;
- actuarial gains and losses arising from defined benefit superannuation plans;
- fair value changes of financial instruments and agricultural assets; and
- depletion of natural assets (non produced) from their use or removal.

In simple terms, other economic flows are changes arising from market re measurements.

## Payables

Includes short and long-term trade debt and accounts payable, grants, taxes and interest payable.

## Produced assets

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

Includes amounts owing from government through appropriations 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

# MELBOURNE MARKET AUTHORITY

Notes to Financial Statements 30 June 2011 (continued)

produced assets such as buildings 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

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

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 within 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.

## 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
- (x) negative numbers

The financial statements and notes are presented based on the illustration for a government department in the 2010-11 Model Report for Victorian Government departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the MMA's annual reports.

## CHAIRMAN'S, ACCOUNTABLE OFFICER'S & CHIEF FINANCIAL OFFICER'S DECLARATION

The attached financial statements for the MMA have been prepared in accordance with Standing Directions 4.2 of 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 2011 and financial position of the MMA at 30 June 2011.

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 25 August 2011.



N J Lowe  
Chairman



A Crosthwaite  
CEO



D J Coulson  
CFO



# MELBOURNE MARKET AUTHORITY

DISCLOSURE INDEX (continued)

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

|         |   |       |
|---------|---|-------|
| FRD 9A  | Departmental disclosure of administered assets and liabilities .....                              | N/A   |
| FRD 11  | Disclosure of ex-gratia payments .....  | 57    |
| FRD 13  | Disclosure of parliamentary appropriations .....  | N/A   |
| FRD 21A | Responsible person and executive officer disclosures .....  | 53,54 |
| FRD 102 | Inventories .....   | N/A   |
| FRD103D | Non-current physical assets.....  | 43    |
| FRD104  | Foreign currency .....  | N/A   |
| FRD106  | Impairment of assets .....  | N/A   |
| FRD107  | Investment properties.....  | N/A   |
| FRD109  | Intangible assets .....   | 45    |
| FRD110  | Cashflow statements.....  | 26    |
| FRD112A | Defined benefit superannuation obligations .....  | 56    |
| FRD113  | Investments in subsidiaries, jointly controlled entities and associates.....                      | N/A   |
| FRD114A | Financial instruments - general government entities and public<br>non-financial corporations..... | 47    |
| FRD119  | Contributions by owners.....  | N/A   |

## LEGISLATION

|   |     |
|---|-----|
| <i>Freedom of Information Act 1992</i> .....                  | 20  |
| <i>Building Act 1983</i> .....                                | 20  |
| <i>Whistleblowers Protection Act 2001</i> .....               | 17  |
| <i>Victorian Industry Participation Policy Act 2003</i> ..... | 20  |
| <i>Financial Management Act 1994</i> .....                    | 28  |
| <i>Multicultural Victoria Act 2004</i> .....                  | N/A |

This page has been intentionally left blank.



www.melbournemarkets.com.au  
 email: info@melbournemarkets.com.au  
 Box 1, 542 Footscray Road, West Melbourne, Vic 3003, Australia.  
 Ph: (03) 9258 6100 Fax: (03) 9687 7714

Compiled by David Fussell, Daryn Coulson and Nancy Shaughnessy.  
 Design by Nancy Shaughnessy. Coordination and printing by Kosdown Printing.  
 Photography: James Vlahogiannis, James Penlidis and Nancy Shaughnessy.  
 No part of this report including images, may be reproduced without the written approval of the Melbourne Market Authority.  
 Contact David Fussell, Ph (03) 9258 6100.