



MELBOURNE  
CONVENTION  
EXHIBITION  
CENTRE

Melbourne Convention  
and Exhibition Trust

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# ANNUAL REPORT 2015-2016







Melbourne Convention and Exhibition Trust

**ANNUAL REPORT**  
**2015-2016**





**Melbourne Convention and Exhibition Trust**

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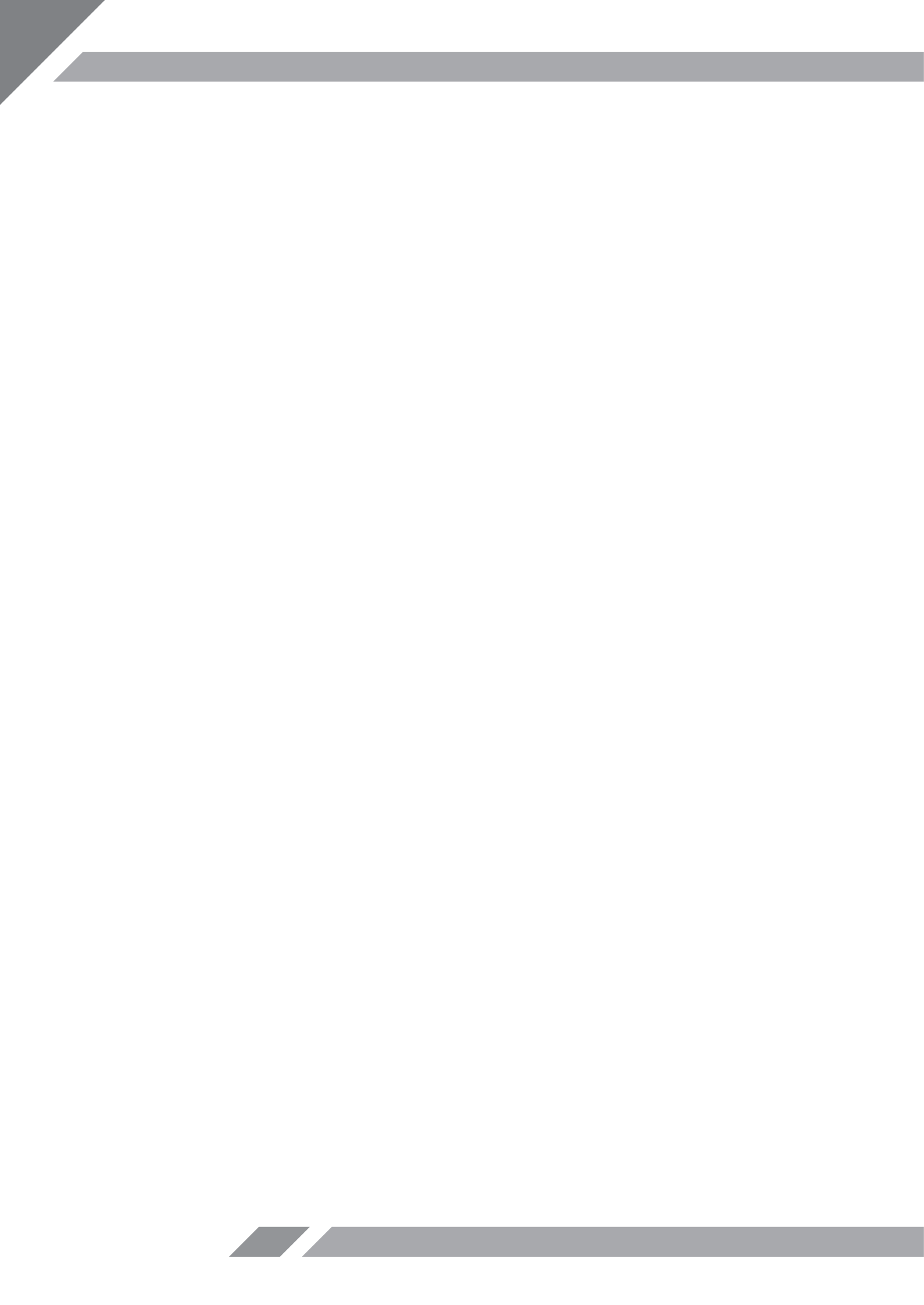
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# CHAIRPERSON'S FOREWORD



# Chairperson's Foreword

I am pleased to provide the Annual Report of the operations and audited financial statements of Melbourne Convention and Exhibition Trust (the Trust) for the year ended 30 June 2016.

This report provides consolidated information on the activities of Melbourne Convention and Exhibition Centre (MCEC) located in South Wharf, Victoria. MCEC comprises the Melbourne Exhibition Centre, opened in February 1996 and the Melbourne Convention Centre, opened in June 2009. These two facilities are fully-integrated and trade as Melbourne Convention and Exhibition Centre, under the direction of the Trust.

Performance of MCEC for the 2015/2016 financial year was predominantly influenced by the following factors:

- a considered move away from an operations-driven to a customer-centric business model, implementing key recommendations arising from MCEC's Customer Journey research.
- the successful introduction of a new organisational design in October 2015, resulting in the addition of new positions and talent to the business.
- increasingly resourced and aggressive competition from local, national and international venues and destinations.
- increased diversification of the types of events conducted at MCEC to generate new revenue streams, focussing on customer segmentation and profitability analysis.
- improved utilisation of available space in conjunction with the South Wharf precinct and our customers.
- growth of existing events held at MCEC and the ability of the business to provide creative solutions to accommodate this growth.
- maximising procurement gains and increasing efficiencies, especially in food and beverage.
- significant investment in improving forecasting accuracy and accountability, specifically through the Key Business Indicators Report.

In 2015/16, MCEC achieved its best ever revenue results, recording \$77.0 million in operating revenue – a \$0.7 million increase on 2014/15. MCEC's Retail Catering department was the largest revenue growth area, increasing by 35.6 per cent to \$1.3 million.

This is the fourth consecutive year that MCEC has recorded a year-on-year increase in operating revenue. Additionally, findings verified by Ernst & Young measuring the economic and social value of MCEC's business events concluded that the venue contributed \$959.4 million to the Victorian economy in 2015/16 – an increase of 5.3 per cent on financial year 2014/15.

Underpinning these milestones is an unwavering focus and belief that by building the foundations of a solid and sound culture, MCEC's ability to adapt, innovate and embrace new ways to conduct business will ensure that we continue to maintain our market position in an ever-increasing competitive landscape.

Over the last 12 months, 980 events were held at MCEC. These events attracted 849,677 delegates, including 25 international conventions involving 14,158 delegates and 61 national conventions which attracted 53,059 delegates. Total visitation to the venue over the year was close to 2.4 million.

The exhibition market continued to play a pivotal role in driving business, with 78 exhibitions held at the venue.

Notable events held at MCEC in 2015/16 include:

- Hair Expo 2016
- Ozwater16 – Australia's International Water Conference and Exhibition 2016
- Reed Gift Fairs Melbourne 2015
- The Cardiac Society of Australia and New Zealand Annual Scientific Meeting 2015
- Cisco Live 2016
- Penny Arcade Expo (PAX) 2015
- Australian Human Resources Institute National Convention and Exhibition 2015
- Arnold Classic Australia 2016
- Melbourne Boat Show 2016

This financial year, MCEC generated net cash flows from operating activities of \$14.5 million. A positive result pre-depreciation and interest expense of \$18.2 million was recorded compared with \$17.3 million in 2014/15. Interest charges in relation to the loan entered into as part of the financing arrangements for the Convention Centre and depreciation totalled \$31.2 million, resulting in a net deficit of \$13.0 million.



In 2015/16, MCEC continued to invest in refurbishing facilities in both the Exhibition Centre and the Convention Centre while upgrading technology throughout the venue. Specifically, the Trust invested \$5.9 million on 82 capital works projects to respond to trends and competition within our industry across all asset classes. This included significant investment in digital infrastructure, technology and new food and beverage outlets.

Additionally, the much-anticipated expansion of MCEC commenced in May 2016. This project will result in MCEC being the largest pillar-less exhibition venue in the Southern Hemisphere and supports the work the venue conducts with the Melbourne Convention Bureau (MCB) to attract major business events to Victoria.

The expansion of MCEC allows us to honour and grow our commitment to support community initiatives such as the Royal Children's Hospital Good Friday Appeal.

Along with the investment to grow our venue comes an ambitious revenue target upon completion of the expansion, with revenue forecasts to increase 80.4 per cent by 2022.

The Trust also invested in both people and processes in 2015/16, implementing a new organisation design that has ensured our business continues to meet the expectations of our customers and adapts as the business events industry evolves.

Domestic competition to stage national and international events continues to grow each year, with our major competitive focus being on the International Convention Centre (ICC) Sydney which, following a \$1 billion investment, is due for completion at the end of 2016. Major infrastructure investment in the Middle East, Korea, Singapore, Macau, China and Malaysia also adds to the diversity of available venues in our industry, with respective governments providing event subsidies to support the attraction of these events.

Despite an increasingly competitive marketplace, MCEC continues to be recognised globally as a venue of choice.

In order to ensure the ongoing quality of MCEC's service standards, the Trust undertakes a significant customer feedback review program with an external third party on a quarterly basis. The Trust is committed to the ongoing improvement in the satisfaction rating of its customers. The current customer satisfaction rate of 86 per cent is the highest achieved to date.

A Key Account Management program is in place with targeted customers that capitalises on generating repeat business, with each event class having a specific marketing and growth strategy.

MCEC continues to work closely with MCB to drive the 'Hero Event' strategy based on attracting large international conventions to Melbourne. In 2015/16, 32 international conventions took place at the venue, generating 12 per cent of the venue's total revenue and contributing \$169 million in economic impact to the State.

MCEC also continues to be supported by the Club Melbourne Ambassador Program which, in 2015, celebrated its 10 year anniversary with the launch of a research fellowship valued at \$10,000. Ambassadors in this world-leading program helped to win 15 International events in 2015/16, yielding an estimated economic impact of \$71.8 million for Victoria.

Significant international business events held in 2015/16 include:

- International Conference on Oral and Maxillofacial Surgery 2015
- 35th Congress of the Societe Internationale d'Urology SIU 2015
- AAPG/SEG 2015 International Conference and Exhibition
- 2016 19th Asia-Pacific Orthopaedic Association Congress
- Congress of the International Ergonomics Association 2015

Engagement with the local community is one of MCEC's core organisational pillars and in 2015/16 the venue again hosted its Open Space event, providing inspirational speakers who challenged industry attendees to look at things from 'a different perspective.' In addition, MCEC proudly strengthened important community partnerships with a number of charity organisations including: Variety, The Royal Children's Hospital, Starlight Children's Foundation and, for the second time, the Vinnies CEO Sleepout.

MCEC commenced a long-term agreement with The Royal Children's Hospital Good Friday Appeal in 2013/14 to provide the space for the Appeal's annual fundraising event, 'Kid's Day Out.' This is the largest community event held at the venue and in 2016 more than 80,000 Victorians attended. Generous donations and fundraising efforts by the Victorian community saw over \$17 million raised for the 2016 Appeal.

A strong external community focus lends itself to building an internal culture within MCEC that employees can embrace with pride. The venue's employee-driven, organisation-wide cultural program *unity* is built around a set of guiding principles that empower employees to work together with integrity and respect to deliver exceptional event experiences for our customers.

The Trust will continue to invest in *unity* through inductions, training, ongoing support of personal development and employee reward and recognition.

Over the past 12 months, MCEC has been successful in winning many awards for excellence, community service, innovation, technology and in-house catering. Awards received by MCEC in 2015/16 include:

- 2016 Gold Sustainability Certification from EarthCheck
- 2015 BRW Most Innovative Companies List
- 2015 World Travel Awards – Australasia's Leading Meetings and Conference Centre
- 2015 Royal Melbourne Fine Food Awards – Three gold medals and three silver medals
- 2015 EEAA Awards for Excellence – Best Corporate Citizenship for The 2015 Royal Children's Hospital Good Friday Appeal
- 2015 Hall of Fame – National Meetings and Events Australia Awards – In-House AV Services
- 2015 National Meetings and Events Australia Awards – Cause-Related Event of the Year for The 2015 Royal Children's Hospital Good Friday Appeal
- 2015 National Meetings and Events Australia Awards – Meeting Venue 500 Delegates or More
- 2015 Victorian Meetings and Events Australia Awards – Banquet and Catering
- 2015 Victorian Meetings and Events Australia Awards – Operations Person of the Year.

The people of Victoria should be very proud of MCEC, the economic contribution its operations make to the Victorian economy and the wonderful community asset it continues to be.

I would like to take this opportunity to thank my fellow Trustees for their contribution during 2015/16 and in particular Linda Dewar, whose term finished on 10 August 2015. The hard work and dedication of all Trustees has been much appreciated.

I welcome the newly formed merging of Tourism Victoria and the Victorian Major Events Company into Visit Victoria and look forward to working with inaugural Chief Executive Officer, Mr Peter Bingeman in the future. I would also like to thank the Minister for Tourism and Major Events, Hon. John Eren MP and the team at the Department of Economic Development, Jobs, Transport and Resources who have been extremely supportive and encouraging.

Finally, on behalf of all my fellow Trustees, I would like to recognise and commend the efforts of MCEC's Chief Executive Peter King, our senior management and all employees for their commitment and outstanding performance throughout this record-breaking year.



Robert H Annells PSM  
Chairperson  
**Melbourne Convention and Exhibition Trust**



# OPERATIONS REPORT

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# Introduction

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This Annual Report describes the functions and operations of the Trust and presents the Audited Financial Statements of the Trust for the year ended 30 June 2016.

The report includes information about the Trust and the management of resources under its control and is submitted to Parliament under the *Financial Management Act 1994, s.46(1)*.

## History and background

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The Trust was established in August 1994, under the *Melbourne Exhibition Centre Trust Act 1994*, to oversee the development and management of the Melbourne Exhibition Centre. The Act was amended in 1995 to include the management, promotion and use of the Royal Exhibition Building as part of the Trust's responsibilities.

The *Melbourne Convention and Exhibition Trust Act 1996* was enacted on 5 February 1997, repealing the former Act and establishing the Trust. The new Act permitted increased responsibilities for the Trust including the ownership and management of both the Melbourne Exhibition Centre and the Melbourne Convention Centre. The Melbourne Convention Centre, formerly the World Congress Centre Melbourne, was vested in the Trust in February 1997.

On 14 February 1997, the Trust entered into a management agreement with World Congress Centre Melbourne Pty Ltd to provide venue operator services for the Melbourne Convention Centre. This management agreement ended in August 1997 when the Trust became both owner and venue manager of the Melbourne Convention Centre and the Melbourne Exhibition Centre.

On 28 August 2002, the Trust was appointed the Committee of Management of the Yarra River Maritime Reserve. The Reserve is inclusive of the land and historic sheds located on the south bank of the Yarra River between Grimes Bridge and the Melbourne Maritime Museum. This appointment was revoked in June 2006 as part of the land consolidation process necessary for the development of the Melbourne Convention Centre and associated works referred to below.

On 20 April 2004, the Victorian State Government announced the development of a new Convention Centre as part of a major precinct development. This project incorporated a commitment of \$370 million from the Victorian State Government and \$43 million from the City of Melbourne. The project was delivered as a Partnership Victoria project and includes a significant private sector investment in complementary facilities in the precinct adjacent to the existing Melbourne Exhibition Centre and the new Melbourne Convention Centre. The Melbourne Convention Centre officially opened in June 2009.

On 5 May 2015, the Victorian State Government announced \$205 million for the expansion of Melbourne Convention and Exhibition Centre in the 2015/16 State Budget. This project commenced in May 2016 and is anticipated to be completed in mid-2018. An additional 74,000 international visitors will come to Melbourne each year as a result of this expansion, providing an estimated \$167 million annual boost to the Victorian economy.

The Trust reports to the Minister for Tourism and Major Events, The Hon John Eren MP.

## Powers and duties

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The *Melbourne Convention and Exhibition Trust Act 1996* is the principal statute relating to the establishment, powers and operations of the Trust. Other provisions affecting the Trust include the *Financial Management Act 1994* and related directions of the Minister for Tourism and Major Events.

# Functions

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The *Melbourne Convention and Exhibition Trust Act 1996* specifies the functions of the Trust as being to provide for:

- a. the development, promotion, management, operation and use of convention and exhibition facilities and services in the State of Victoria, including the use of those facilities and services for entertainment purposes.
- b. with the approval of the Minister, the development, promotion, management, operation and use of tourism or hospitality facilities and services in the State of Victoria, including the use of those facilities and services for entertainment purposes.
- c. the development, promotion, management, operation and use of facilities and services for the parking of vehicles to be used in conjunction with any of the Trust's facilities.
- d. with the approval of the Minister, and for such a period as is approved by the Minister, the promotion, management, operation and use of:
  - i. the Royal Exhibition Building.
  - ii. any part of the exhibition land that the Trust reasonably requires in conjunction with the use of the Royal Exhibition Building subject to any agreement or arrangement between the Trust and the Museums Board of Victoria.
- e. any other matter authorised by the Act.

## Objectives and performance review

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### **Our Vision**

To be the world's best events destination, leading the way in service, food and technology.

### **Our Mission**

To connect people through memorable experiences.

### **STRATEGIC PILLARS**

#### **Our People and Culture**

To be an employer of choice.

#### **Our Customer**

To be the venue of choice for our customers in the region.

#### **Our Corporate and Financial Health**

To be financially sustainable and maintain prudent corporate decisions.

#### **Our Community**

To grow our community impact.

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The Trust's primary aim is to attain optimum utilisation of available space, enhance the profile of MCEC and the State of Victoria as 'a place to do business' and to achieve specific organisational objectives by implementing strategies linked to MCEC's four strategic pillars.

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## OUR PEOPLE AND CULTURE

Vision – to be an employer of choice.

MCEC is a contemporary organisation that consistently receives domestic and international accolades as a leading exhibition and convention facilities provider.

In an ever-changing national and international business events industry environment, MCEC remains committed to refining critical roles and capabilities within the business to realise our vision to be the world's best events destination.

A very full and prosperous annual event calendar brings about the need to ensure our people are fully engaged, trained and completely aligned with the event delivery philosophy of MCEC.

We understand that our people are the critical ingredient required to differentiate our business from competition, achieve our goals and to ensure our sustainable growth and competitive advantage in the future.

### Strategies

#### Our people:

- Finalise the People and Culture division rebrand, which included a review of current skills within the business and an assessment of future needs.
- Continue investment in our internal cultural program *unity*, ensuring that all employees adopt and are held accountable to MCEC's *unity* guiding principles.

#### Talent and performance management:

- Introduce a new performance management framework, Meet, Align, Perform (MAP) that outlines an integrated and planned system for continuously improving and driving a high-performance culture within MCEC.
- Grow organisational skills and capabilities through an increased focus on the 70/20/10 development model with an emphasis on experiential learning and development.

#### Talent acquisition:

- Consolidate and market our employer offering and value proposition.
- Engage and equip managers and employees with the appropriate tools and information to be MCEC brand ambassadors.
- Embrace technology and social media platforms to enhance and promote our position as an employer of choice.

### Performance Review

MCEC's People and Culture Division continues to provide leadership and focus, driving our employee strategic plan and ensuring staff are engaged, trained and aligned to grow and evolve the business.

MCEC believes that outstanding employee performance supports the execution of both long and short-term business objectives and, as such, all performance management practices are aligned with our business and talent management strategies and our organisational culture.

The 2015/16 financial year saw the implementation of MCEC's organisational redesign, introducing new roles and talent across the business to ensure the venue continues to meet customers' expectations and adapts as the industry evolves. This business-critical project has fostered a truly customer-centric philosophy within MCEC, with increased employee skills and capabilities.

MCEC continues to refine and invigorate the venue's internal cultural program *unity*, which has promoted high levels of employee engagement and has had a positive impact on the business over several years.

In 2015/16, the People and Culture division developed a robust talent and performance management program and a talent acquisition employee value proposition that have all proved to be industry-leading projects. These innovative processes ensure that MCEC remains at the forefront of the industry, promoting the business as an employer of choice in the region.

Additionally, in 2015/16 MCEC spent \$229,000 on learning and development initiatives, with 761 employees undertaking professional training. This equates to 4,190 hours of professional development.

MCEC's innovation program, *THINK* continues to reap benefits for the business. Employees are encouraged to submit ideas through an online portal to the Executive Team to capture and nurture innovation across MCEC. Over the last 12 months, seven *THINK* ideas were implemented, with 12 active projects due for completion in the next financial year.

Of particular note is the creation and launch of MCEC's newest retail offering, Shed Café, which was originally submitted by employees as a *THINK* idea.

## OUR CUSTOMER

Vision – to be the venue of choice for our customers in the region.

MCEC's business activities continue to challenge our team to find ways to lead the world as global and domestic competition becomes increasingly well-resourced and more aggressive.

Over the past year, MCEC has made a considered move away from an operations-driven business to a customer-centric organisation.

In 2015/16, research showed that MCEC turned away significant business opportunities due to lack of available space. As a result of this, strategies to better manage space optimisation and improve yield were developed with the aim of utilising areas within MCEC more efficiently.

With the commencement of MCEC's expansion in May 2016, the organisation continues to work strategically to ensure that the quality of amenities built will allow the business to enhance its status as a world-class facility.

MCEC also continues to investigate new revenue streams, working closely with our customers to provide a product that caters to industry needs while creating business opportunities for the future.

### Strategies:

- Continue to work closely with MCB to drive the 'Hero Event' strategy, based on attracting large international conventions to Melbourne.
- Continue to implement the findings and implications of the Customer Journey research that has been the key determinant of a renewed customer-centric strategy.
- Continue the Key Account Management program, working more closely with major MCEC customers in each business area. Individual event categories have specific growth strategies to ensure the success of the program.
- Manage utilisation of MCEC through diversity. Maximise the use of all facilities and the South Wharf precinct in conjunction with our customers.
- Work to ensure that the design of MCEC's expansion provides the flexibility to cater for the changing needs of MCEC's diverse customer base.
- Continue to evolve MCEC's strategy to reinvigorate the Club Melbourne Ambassador Program. This program is now more closely defined by the successful outcomes driven by the Ambassador group.

These strategies have enabled MCEC to continue to provide excellent economic returns to the State of Victoria in 2015/16.

In 2015/16, MCEC strategies saw a centralised focus on market and customer segmentation and profitability analysis. This included a more sophisticated approach to personal account management as well as targeted marketing based on the needs of our distinctive, segmented customers: exhibition customers, convention customers, concert promoters, gala organisers, public event visitors, delegates and small meetings organisers and attendees.

### Performance Review

Over the past 12 months, MCEC conducted extensive research to better understand our customers and in turn, improve the way we interact and do business. Insights attained from our Customer Journey research identified opportunities to streamline our processes, resulting in the creation of two new business units – South Wharf Meetings and Events (SWME), which provides our customers with an end-to-end events service, and Strategy and Innovation which, through insights and strategic planning, is charged with aligning our business with the needs of our customers, now and in the future.

MCEC is close to full capacity and the challenge to accommodate further bookings is ongoing. Occupancy, utilisation and business diversity are monitored weekly and reported monthly to ensure the venue is optimising the use of available space.

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A key reason for increased demand is the industry-leading experience that our customers enjoy at MCEC, with research showing a satisfaction rate of 86 per cent (up from 75 per cent in recent years).

The Trust remains focussed on attracting national and international conventions to MCEC. There are currently 44 international conventions of various sizes and 60 national conventions booked at MCEC over the next two years.

While the broad segmentation of our business base has not significantly changed in recent years, there is certainly a more diverse customer base emerging at MCEC. The international convention market is extremely competitive and larger events have become increasingly difficult to attract. MCEC's long-term event calendar remains strong but conference and convention events have seen a decline in attendance. However, these events still provide the highest yield back to the State of Victoria.

The Trust continues to contribute financially to support MCB, working closely to develop and implement a fully-integrated sales and marketing program each year.

With the impending opening of ICC Sydney in December 2016, competition for larger events in the business events space is more aggressive than ever. MCEC has attracted and retained some significant association conferences and exhibitions from Sydney over the last three years and, while some of these events will rotate back to Sydney, Melbourne has provided an exceptional experience for this market and will continue to attract similar events into the future.

The City Wide Support Program and the Business Events Fund provided by the Victorian State Government are critically important in winning bids for international conferences to be held in Melbourne.

The Club Melbourne Ambassador Program continues to have a positive impact on MCEC's profitability and international reputation. Club Melbourne works with Ambassadors and organisations to support the creation of new business events in Melbourne in line with the Victorian State Government's priority sectors.

Club Melbourne currently consists of 120 inducted Ambassadors who have collectively been involved in securing over 117 international conventions for MCEC, worth over \$658 million to the State of Victoria since the Program's inception.

In 2015/16, Club Melbourne Ambassadors secured 15 of the international conferences that were held at MCEC, resulting in over \$31.7 million of economic impact to Victoria. Additionally, in 2015/16, Club Melbourne Ambassadors helped to win 15 event bids for future events that will yield an estimated economic impact of more than \$71.8 million for the State (a 42.7 per cent increase on last financial year).

In 2015, Club Melbourne celebrated the Program's 10th Anniversary with the launch of an inaugural Club Melbourne Fellowship. This Fellowship was established to support the next generation of Melbourne's research leaders and potential future Club Melbourne Ambassadors.

One Fellowship is available annually for a Victorian-based, mid-career researcher, providing access to the exclusive Club Melbourne network for a year as well as funding of \$10,000 to support research that must include, but is not limited to, attendance at an international conference specifically for enabling access to a program of research.

MCEC's inaugural strategy, which allows us to incubate and support new event opportunities, continues to work well. MCEC works closely with Club Melbourne Ambassadors to support MCB event leads and to align our focus on government sectors, particularly targeting high-value domestic and international association conferences.

Many cities around the world are now adopting the Club Melbourne Ambassador Program concept, however Club Melbourne, with the active participation of the Governor of Victoria, the Premier of Victoria and relevant Ministers, remains a world leader.

In summary, in 2015/16 MCEC was impacted by rapidly changing customer expectations, which added complexity to the venue's business model. Increased complexity brings about an increased cost, however despite this pressure, MCEC's bottom line contributions continue to be healthy. MCEC continues to respond to this changing industry trend by investing in its people, providing positive outcomes for the business.



## OUR CORPORATE AND FINANCIAL HEALTH

Vision: to be financially sustainable and maintain prudent corporate decisions.

### Strategies:

- To deliver financial self-sufficiency, taking into consideration MCEC's expansion and associated business obligations and responsibilities.
- Continue to ensure MCEC maintains world-class compliance and risk management protocols, with a focus on the venue's risk management framework.
- Invest in a visible and disciplined Occupational Health and Safety (OH&S) Strategy to ensure MCEC operates within a safe workplace.
- Develop a monthly Key Business Indicators Report to assist the business to identify exceptions in results, improve divisional accountability and to remain proactive in communication actions.
- Continue to invest in providing improved financial forecasting accuracy and accountability.
- Engage with government sectors and other external stakeholders to communicate messages supporting the consistent economic impact provided by MCEC to the State of Victoria.
- To effectively work with all stakeholders involved in the expansion of MCEC.

### Performance Review

Financial reporting, forecasting and the provision of strong corporate support functions continue to be of the highest quality within MCEC.

With the introduction of the monthly Key Business Indicators report in 2015/16, MCEC continues to take reporting to new levels.

The integrated financial forecasting system is updated monthly to provide management with current information to assist with budgeting and analysis. Work to refine MCEC's forecasting techniques is ongoing.

MCEC reports to the Trust on a monthly basis regarding the OH&S and procurement functions of the business. Ongoing independent assessments of OH&S and related practices are undertaken to monitor whether industry best practice standards are being achieved.

In 2015/16, MCEC experienced a reduction of 3.7 per cent in employee safety incidents and a 10 per cent reduction in total incidents on-site when the general public and contractors are included. Lost Time Injury Frequency Rate, which measures the numbers of injuries serious enough to result in a missed shift, remained stable at a low 2.9. There have been no employee incidents of a serious nature during the year which is a tribute to the high level of health and safety practices currently in place at MCEC.

A concentrated campaign focussing on trolley-related injuries was implemented in 2015/16 and, as a result, trolley-related incidents decreased by 43 per cent.

During 2015/16, compliance and risk management frameworks were and continue to be refined and are industry-leading in their effectiveness and simplicity.

The Trust continues to take an active role in inter-venue forums in relation to operations, customer experience, people and culture, marketing and communications, finance and information technology. These forums serve to better inform both ongoing operational activities and systems, and also provide useful competitive insights to enable further product development.

MCEC's Executive Team plays an active and leading role in several industry committees and organisations including:

- International Congress and Convention Association
- Business Events Council of Australia
- Exhibition and Event Association of Australia
- Venue Management Association
- Meetings and Events Australia
- Conventions Australia
- Destination Melbourne
- MCB
- South Wharf Precinct operations, development and marketing committees.

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Work continues with government sectors and our Public Private Partner, Plenary Group on the detailed functional design work, procurement and delivery model of the expansion of MCEC.

## OUR COMMUNITY

Vision: To grow our community impact.

### Strategies:

- Develop a structured engagement plan for community partners.
- Refine an ongoing community engagement communications strategy.
- Continue to implement work being conducted by a group of stakeholders, both internal and external, to focus on sustainability and managing the business in an environmentally-friendly manner.
- Continuation of MCEC's Environmental Task Force and Operation Green.
- Key Business Indicator reporting and efficiency delivery.

### Performance Review

The last 12 months have seen MCEC maintain all relevant accreditations and continue its efforts towards achieving the highest levels of environmental accreditation. Notably, the venue was recently elevated to Gold status with EarthCheck for its environmental management program. EarthCheck is an internationally recognised certification program designed for the travel and tourism industry.

MCEC's Environmental Task Force continues to drive positive environmental outcomes for the venue. This collaboration between MCEC, Plenary Group and Brookfield has successfully reduced the impact of MCEC's operations on the environment, including sustainability improvements to electricity, gas, water, paper, waste and more. The efforts of Operation Green has seen a significant increase in the diversion of waste from landfill (60 per cent of all waste from the venue recycled) and has brought about initiatives that will provide our customers with options to reduce the environmental footprint of their events.

In 2015/16 MCEC continued its work in specific areas of support for long standing partners including the Starlight Children's Foundation and Variety Australia.

MCEC hosted and sponsored the 2016 Royal Children's Hospital Good Friday Appeal for the third time, with a number of MCEC employees volunteering their time to help deliver this event. The venue saw over 80,000 Victorians attend this event and it continues to be the largest community engagement event that MCEC hosts. MCEC also hosted and supported the 2016 Vinnies CEO Sleepout to raise vital funds and grow awareness of homelessness for the second consecutive year.

The Trust is also an active supporter of SecondBite, OzHarvest and Launch Housing. Additionally, MCEC employees participate in many individual and group activities which have raised funds for a variety of not-for-profit groups. Many of these activities were coordinated by MCEC's internal *Our Communities* Committee and involved a significant level of employee and management participation.

# Trustees

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At the time of writing this report, six Trustees are appointed to the Trust for terms of up to three years.

Former Trustee, Ms Linda Dewar's six year tenure ended on 10 August 2015. The recruitment process to determine her replacement is currently underway.

## **MR ROBERT ANNELLS, PSM**

### **Chairman**

Mr Annells' tenure as Chairman was extended for 12 months to 10 August 2017. Mr Annells served as Chief Executive of Tourism Victoria from March 1993 to June 1998. Prior to this he was the inaugural Chief Executive of the Melbourne Docklands Authority. Mr Annells has been a member of the Trust and its predecessor Melbourne Exhibition Centre Trust since 1994 and has been the Chairperson since 1 January 1998. He is currently also the Chairman of TasRail and was formally the Chairman of VicTrack and Forestry Tasmania.

## **MS YVONNE VON HARTEL AM**

### **Trustee**

Ms von Hartel was reappointed to the Trust on 21 June 2014. She is a founding principal of the national architectural practice, Peckvonhartel. She has extensive experience in the practice of architecture having worked on major projects in Australia and South East Asia, including infrastructure, commercial and mixed use developments, institutional projects and historic building refurbishments. She acts as Design Adviser to Australia's largest corporations and government agencies. Ms von Hartel is a Commissioner of the Victorian Building Authority, Director of the Queen Victoria Market, Council member of La Trobe University and a member of the University of Wollongong, SMART Infrastructure Advisory Council. Positions she has held include Founding Director/Company Secretary of the Melbourne Forum, Director of the Linking Melbourne Authority, Chair of the Victorian Skills Commission and the Southbank Arts Precinct Working Group. Ms von Hartel previously served as a Director of the publicly listed company ConnectEast.

## **MS MARIE JACKSON**

### **Trustee**

Ms Jackson was reappointed to the Trust for a further three years on 21 June 2014. With rich experience in the incentive, meetings and tourism industries, Ms Jackson is an Executive Director of Solterbeck, a leading performance improvement company. Solterbeck works with companies to increase the engagement and performance of their employees and channel partners and incentive travel, conferences and events are key components of the programmes it manages. Ms Jackson is a former Senior Executive of major communication agencies in Australia and New Zealand, and in that capacity has been a member of the M&C Saatchi worldwide Board, a regional partner of Publicis Mojo and Board Director of Ogilvy & Mather.

## **MR JONATHAN METCALFE**

### **Trustee**

Mr Metcalfe was reappointed to the Trust for a further three years commencing 1 July 2016. He currently supports PwC Australia in the role of National Public Transport Lead Advisor, as well as also being the Principal of JNM Advisory Services Pty Ltd. Mr Metcalfe was Chief Executive Officer of Transdev, (formally Veolia Transport Australasia) from December 2009 to January 2015, having previously served as Executive Chairman of Veolia Transport's metropolitan rail business in Melbourne from January 2008. Prior to coming to Melbourne, he was Chief Executive Officer of Great North Eastern Railway (GNER) in the United Kingdom. Mr Metcalfe has extensive experience in passenger transport and a diverse background in human resources, customer service and general management, and was named as 'Safety Ambassador of the Year' by Safe Work Australia in 2013.

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**MS SANDRA (SAM) ANDERSEN****Trustee**

Ms Andersen was reappointed to the Trust for a further three year term commencing 1 July 2016. She is an experienced financial services Senior Executive. She is also a Director, member of the Audit Committee and Chair of the Risk Committee of Beyond Bank Australia, Director and Chair of the Audit Committee of Aneto Diagnostics Limited, and Director and member of the Audit & Finance Committee of Australian Hearing Services. In January of 2015, Ms Andersen was appointed as Chair of the Audit and Risk Committee for the Department of Premier and Cabinet. Ms Andersen is a former Director and Chair of the Audit & Risk Management Committee of VicTrack, Managing Director of Eyecare Partners Limited, and a former Chief Financial Officer of listed technology companies. Ms Andersen has a Bachelor of Laws and is a Certified Practising Accountant. She is a Fellow of the Financial Services Institute of Australia and the Australian Institute of Company Directors.

**MR MATTHEW MILLS****Trustee**

Mr Mills was reappointed to the Trust for a further three years commencing 1 July 2016. He is the National Sales and Marketing Director at GCP, a major manufacturer and supplier of materials to horticulture, agriculture and retail. Mr Mills has extensive experience in operations management and development of large-scale entertainment, hospitality and customer service venues in Australia and Europe. As General Manager Multiplexes, with VCA and Hoyts, he has delivered and managed new multi-site cinema megaplex operations internationally. He held the role of General Manager at Macro Wholefoods Supermarkets and Diggers Seeds. Previously, as Business Development Manager of The Letter Corporation, Mr Mills oversaw a network of national outdoor advertising sites. Mr Mills also serves as a Trustee at Southern Metropolitan Cemeteries Trust, Trust for Nature Victoria and was formerly Chair of D.R.G.A.C., a Community Advisory of Significant Gardens with Parks Victoria. He is a member of The Australian Institute of Company Directors.

# Trust information

## APPOINTMENTS AND RESIGNATIONS

Mr Annells' Chairmanship was extended for 12 months until 10 August 2017.

The tenures of Ms Andersen, Mr Metcalfe and Mr Mills were all extended for a further three years commencing 1 July 2016.

Ms Dewar's six year tenure ended on 10 August 2015 and was not renewed.

## TRUST MEETINGS

A total of 11 Trust meetings were conducted during the year ended 30 June 2016.

	Held	Attended
Mr Robert Annells	11	11
Ms Yvonne von Hartel	11	10
Ms Linda Dewar	11	2
Ms Marie Jackson	11	11
Mr Jonathan Metcalfe	11	11
Ms Sandra (Sam) Andersen	11	11
Mr Matthew Mills	11	11

An internal assessment of the Board of Trustees' performance was undertaken in 2015/16.

## SUB-COMMITTEES

To assist in fulfilling its responsibilities, the Trust has established four sub-committees (all Trustees are independent of management).

Ms Dewar's departure from the Trust saw some changes to the structure of the sub-committees during the year ending 30 June 2016, being:

- Ms Andersen was named Chair of the Finance and Audit sub-committee
- Mr Metcalfe became a member of the Finance and Audit sub-committee
- Mr Mills was named Chair of the Risk Management sub-committee

### People and Culture Sub-Committee

Comprises all Trustees and is Chaired by Ms Marie Jackson.

The main responsibilities of the People and Culture Sub-Committee include:

- focus on strategic people and culture matters, including the review of People and Culture frameworks, strategies, policies and approaches
- advise the Trustees on MCEC's policy and practice for Executive remuneration and the individual remuneration packages for its Executives (that is, employees not covered by awards and collective agreements).

### Risk Management Sub-Committee

Comprises all Trustees and is Chaired by Mr Matthew Mills.

The main responsibilities of the Risk Management Sub-Committee include:

- assist the Trust in reviewing the effectiveness of the organisation's identification and management of all risks associated with the Trust and its operations
- oversee and monitor management's implementation of the Trust's Risk Management Plan to ensure that risks are appropriately identified, treated and reported to the Trust and its operations.

### Finance and Audit sub-committee

Ms Sam Andersen (Chair)  
Ms Marie Jackson  
Mr Jonathan Metcalfe

The main responsibilities of the Finance and Audit Sub-Committee include:

- review and report independently to the Trust on the Annual Report and all other financial information
- assist the Trust in reviewing the effectiveness of the internal control environment covering:
  - Effectiveness and efficiency of operations
  - Reliability of financial reporting
  - Compliance with applicable laws and regulations
- determine the scope of the internal audit function and ensure that its resources are adequate and used effectively, including coordination with the external auditors.

### Capital Works sub-committee

Ms Yvonne von Hartel (Chair)  
Mr Jonathan Metcalfe  
Mr Matthew Mills

The main responsibilities of the Capital Works Sub-Committee include:

- assist the Trust in fulfilling its governance and oversee responsibilities in relation to investment in capital works including:
  - recommending the annual capital works program for approval
  - monitoring the progress of capital works
- management of the Trust's artwork collection.

### CORPORATE PLAN

As required under the *Melbourne Convention and Exhibition Trust Act 1996*, the Trust has submitted to the Minister for Tourism and Major Events, a Corporate Plan that includes a Statement of Corporate Intent, a Business Plan and related financial projections.

## Management and employees

For the year ended 30 June 2016, the Trust employed six Trustees, 172 full-time employees and the full-time equivalent of five part-time and 209 casual employees.

This compares to seven Trustees, 169 full-time employees and the full-time equivalent of eight part-time and 190 casual employees for the year ended 30 June 2015.

All employee matters are governed by the principles of merit and equality. A comprehensive Enterprise Bargaining Agreement is in place.

The Trust continues its ongoing commitment to Equal Employment Opportunity principles and reporting guidelines as outlined in the *Public Authorities (EEO) Act 1990*.

## EXECUTIVE MANAGEMENT

During 2015/16, MCEC implemented a new organisational design which resulted in some of the titles and responsibilities of its Executive Team changing. Those changes are reflected in the profiles below.

### CHIEF EXECUTIVE

#### **Peter King**

Peter is responsible for the overall management, business plan delivery and future strategic direction of MCEC. He also represents the organisation on a number of industry Boards and other Committees, task forces and working groups.

### CHIEF OPERATIONS OFFICER

#### **Leighton Wood**

Leighton is responsible for the daily operations of MCEC and the development of a robust strategic framework for the operations team. This framework aims to ensure the reliable delivery of a high-quality and contemporary event product by a team of engaged hospitality and technology professionals within a safe environment.

### CHIEF FINANCIAL OFFICER

#### **Geoff Stephens**

Geoff is responsible for financial management and reporting to the Trust, Finance and Audit Committee and the Victorian State Government, along with the Procurement and Payroll functions. He ensures financial and accounting policies and practices within MCEC are planned, developed and implemented to effectively and efficiently contribute to the achievement of the operational and strategic objectives of the business.

### DIRECTOR OF PEOPLE AND CULTURE

#### **Helen Fairclough**

Helen is responsible for the development and oversight of the human resources and people function at MCEC. Responsibilities include talent acquisition/recruitment, employee services including benefits, workplace relations, talent management, employee development, along with the integration of MCEC's *unity* cultural program across the business.

### DIRECTOR OF CUSTOMER EXPERIENCE AND OPTIMISATION

#### **(Previously Director of Sales, Marketing and Club Melbourne) Anne Jamieson**

Anne is responsible for engaging the broader team to purposefully manage customer relationships, the customer journey, revenues and profits while driving MCEC's strategic sales plan. This strategic sales plan forms the basis of MCEC to achieve and grow revenue targets across the business. Anne is also responsible for the management of Club Melbourne and inaugural event strategies for the business, as well as the Vice Chair of Meetings & Events Australia and a member of the AIME advisory board.

### DIRECTOR OF STRATEGY AND INNOVATION

#### **(Previously Director of Technology Operations) Michael Walsh**

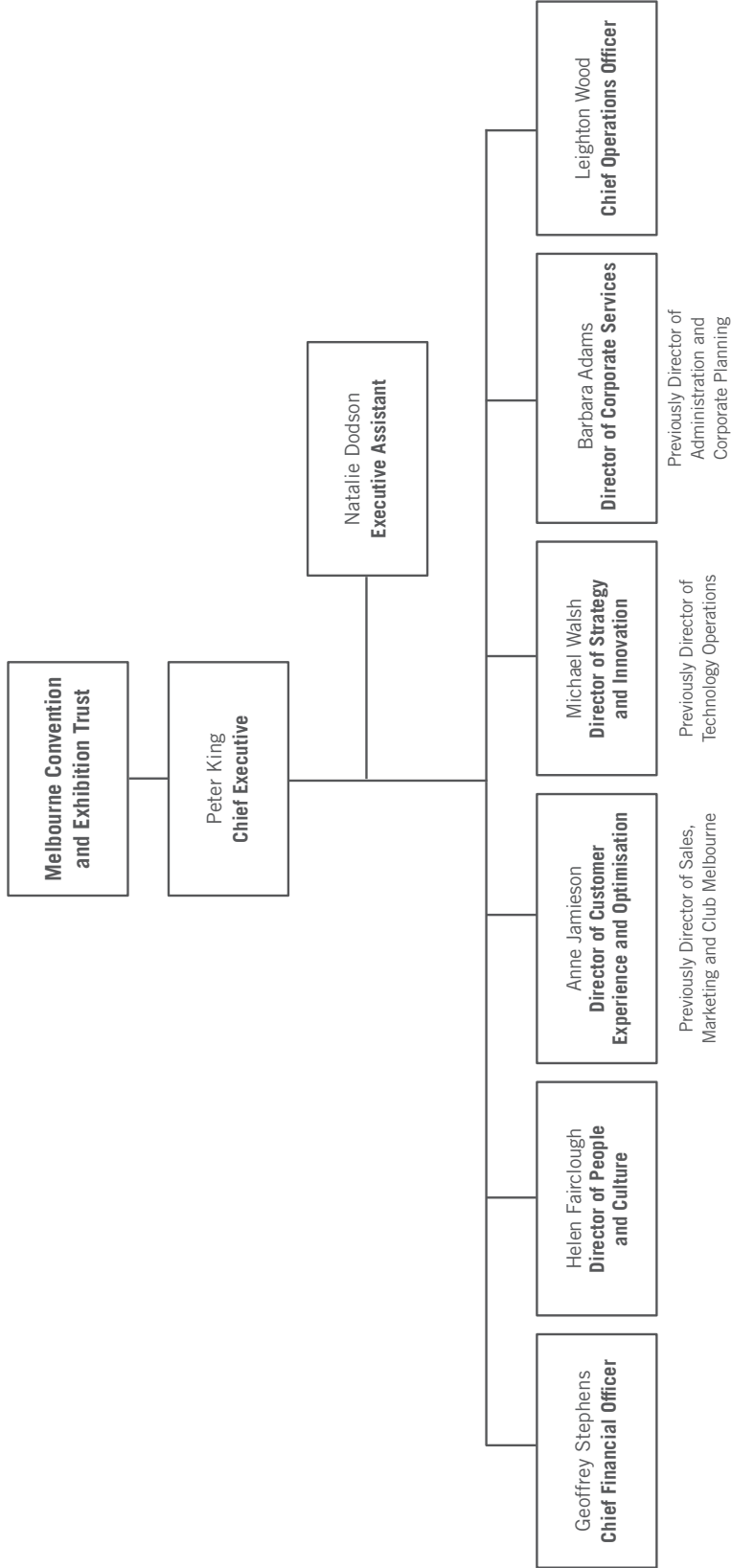
Michael is responsible for the development and execution of strategic planning across the organisation, as well as driving MCEC's innovation program that aims to establish a robust idea generation and project delivery framework. Additionally, Michael oversees the marketing and communications function at MCEC and is responsible for the design and delivery of MCEC'S expansion project.

### DIRECTOR OF CORPORATE SERVICES

#### **(Previously Director of Administration and Corporate Planning) Barbara Adams**

Barbara provides leadership to the Corporate Services division to enable the delivery of an innovative and reliable business technology platform that supports the Trust's business processes and ensures availability of business-critical information and knowledge. Barbara also provides specialist skills in contract administration of Public Private Partnership projects and manages a suite of corporate support services that provide assurance in relation to MCEC's legal, risk and compliance activities.

# Organisational structure





# Additional reporting requirements

## **BUILDING REGULATIONS**

The Trust complies with the building and maintenance provisions of the *Building Act 1993*.

## **FREEDOM OF INFORMATION (FOI)**

The Trust is an 'agency' for the purposes of the *Freedom of Information Act 1982* (the Act) and is therefore subject to the Act. FOI arrangements followed by the Trust are in accordance with procedures established under the Act.

For the 12 months ending 30 June 2016, the Trust received one application from an organisation. The Trust applied exemptions in accordance with the *Freedom of Information Act 1982* and the request, to date, has not progressed to internal review or appeal.

All requests for FOI access must be made in writing to the Melbourne Convention and Exhibition Centre Trust's Freedom of Information Officer, GPO Box 777, Melbourne, Victoria 3001. The subject and date range of the information sought should be indicated as precisely as possible, and the request should be accompanied by the application fee, which may be waived in certain circumstances. Apart from the application fee, certain other charges such as search fees and photocopying charges might apply in relation to the provision of documents as stipulated in the *Freedom of Information (Access Charges) Regulations 2004*.

Further information on the Act may be obtained from [www.foi.vic.gov.au](http://www.foi.vic.gov.au)

## **PROTECTED DISCLOSURE ACT 2012**

The Trust is not a public body to which disclosures may be made. Disclosures of improper conduct or detrimental action relating to the Trust should generally be made to the Independent Broad-based Anti-corruption Commission (IBAC). Further information about making disclosures to the IBAC can be found at [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

As required by s.58(5) of the *Protected Disclosure Act 2012*, the Trust has made available on its website [www.mcec.com.au](http://www.mcec.com.au) procedures for protecting people who make protected disclosures from detrimental action by the Trust or its employees.

## **FINANCIAL AND OTHER INFORMATION RETAINED BY THE ACCOUNTABLE OFFICER**

Relevant information as detailed in Financial Reporting Direction 22G 'Standard Disclosures in the Report of Operations' under the *Financial Management Act 1994* is retained by the Trust's Accountable Officer and is available on request, subject to the *Freedom of Information Act 1982*.

Information that is applicable to the authority under Section 9.1.3 (iv) of the Directions of the Minister for Finance has been retained and is available on request.

## **NATURE AND RANGE OF SERVICES PROVIDED, INCLUDING SECTIONS OF THE COMMUNITY SERVICED**

By the provision of world-class convention and exhibition facilities, the Trust will continue to develop assets of benefit to the general public and to industry and commerce with particular emphasis on the key industry sectors at the core of government policy.

## **NATIONAL COMPETITION POLICY**

The Trust recognises the requirements of the National Competition Policy, in relation to the pricing of product in accordance with competitive neutral pricing.

The Trust maintains a review process of its pricing structure having regard to the obligations outlined in the Competition Policy statement, with the aim of most appropriately achieving these obligations over the medium to long-term.

## **WORK HEALTH & SAFETY POLICY**

The Trust is committed to maintaining a proactive, healthy and safe working environment for all employees and external contractors, customers and the community, while ensuring due regard to the environment throughout its business practices. All visitors are required to comply with MCEC's health and safety instructions.

MCEC recognises its responsibility under Victorian Work Health and Safety legislation in conjunction with certification to AS/NZS 4801:2001 Occupational Health and Safety Management Systems, HACCP-9000 Food Safety systems and Good Manufacturing Principles requirements. The Trust aims to incorporate practicable compliance to all aspects of related business activities.

MCEC's Work Health and Safety (WH&S) Policy, objectives and procedures are reviewed on a regular basis and in response to changes to governing requirements. Copies of the Policy are available on all WH&S noticeboards and MCEC's website [www.mcec.com.au](http://www.mcec.com.au).

## WORK HEALTH AND SAFETY PERFORMANCE

Over the past 12 months the Trust has been successful in achieving a strong level of performance in relation to WH&S. MCEC's performance is consistent with the objectives of the Trust's WH&S Policy and reflects the ongoing efforts of management and staff to ensure that the venue is a safe environment.

In the last 12 months, there were 100 reported injuries (employees 52, visitors 38 and contractors 10), the vast majority of which were minor. This represents an injury reduction of 10 per cent across all categories. A total of 25 staff days were lost during the year due to injuries. There are two ongoing WorkCover claims.

The following initiatives were implemented in 2015/16:

- mandatory reporting of every safety incident, no matter the severity, to ensure management has a record of all incidents occurring on-site
- trolley safety campaign
- stringent monitoring of external contractor activity and behaviour
- external auditing of rigging contractors and re-accreditation process
- a bi-annual 'Safety Hero Award' for employees to recognise responsible and diligent behaviour.

MCEC achieved the following results relative to WH&S performance indicators:

*Target 1: Injury reduction of 10 per cent (employees, contractors and public)*

- the total number of injuries for employees, contractors and public in 2015/16 was 100 compared to 112 for the same period last year – an overall reduction of 10.7 per cent
- employee injuries: 52 compared with 54 in 2014/15 – a reduction of 3.7 per cent
- public injuries: 38 compared with 45 in 2014/15 – a reduction of 15 per cent
- contractor injuries: 10 compared with 13 in 2014/15 – a reduction of 23 per cent.

*Target 2: Lost Time Injury Frequency Rate (LTIFR) <10*

- the LTIFR for 2015/16 was 2.9.

*Target 3: Severity Rate <25*

- the severity rate for 2015/16 was 12.5.

## ATTESTATION OF COMPLIANCE WITH MINISTERIAL STANDING DIRECTION 4.5.5

The Trust confirms that the Melbourne Convention and Exhibition Trust (the Trust) has risk management processes in place consistent with the Victorian Government Risk Management Framework. An internal control system is in place that enables the Executive to understand, manage and satisfactorily control risk exposures. The Risk Management Committee verifies this assurance and that the risk profile of the Trust has been critically reviewed within the last 12 months.

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## **DISABILITY ACT 2006**

The Trust recognises the number and diversity of people with disabilities in the community, and within its own workforce.

The Trust's Accessibility Action Plan addresses the four outcome areas as set out in section 38 of the *Disability Act 2006*:

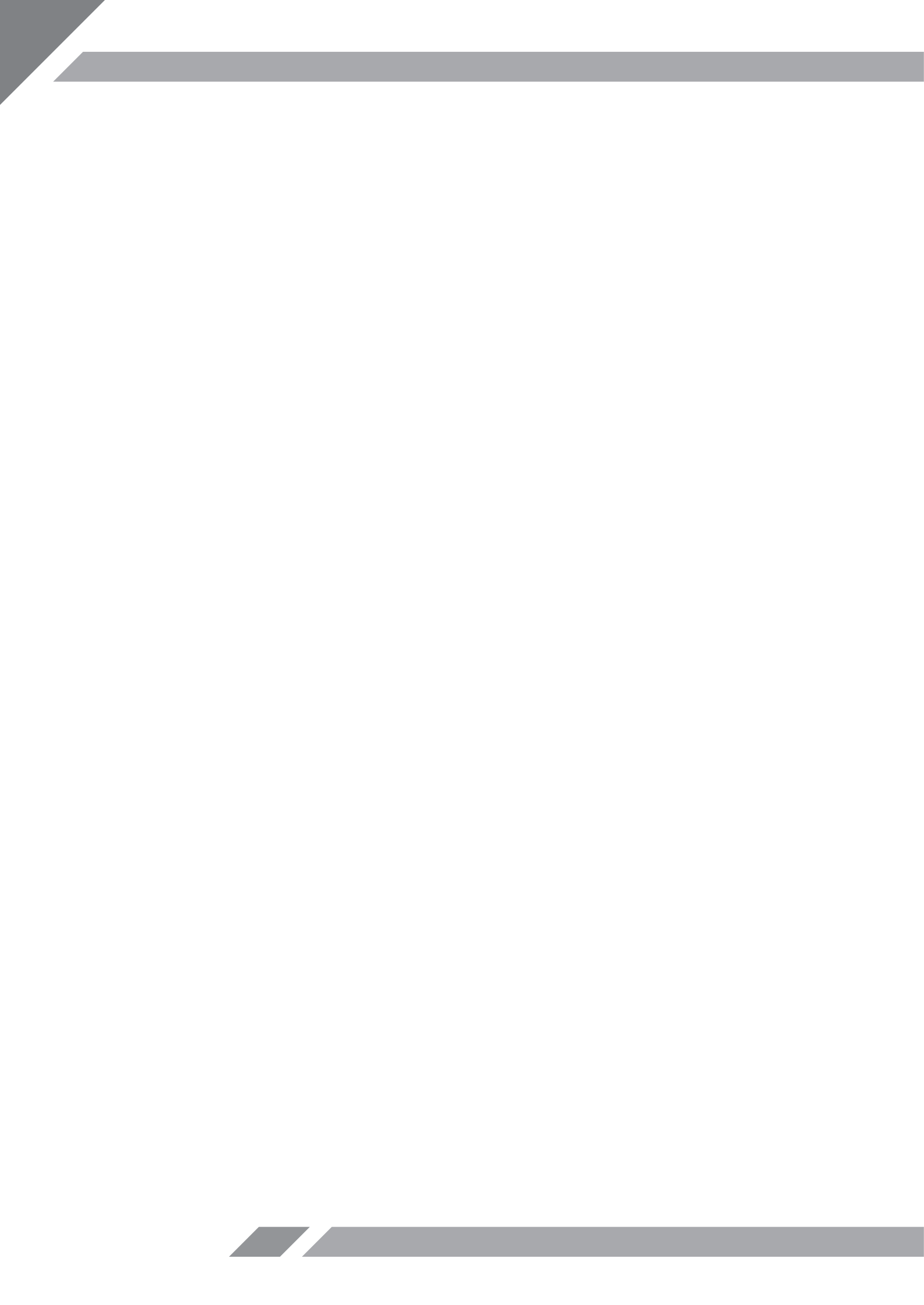
- reducing barriers to persons with a disability accessing goods, services and facilities
- reducing barriers to persons with a disability obtaining and maintaining employment
- promoting inclusion and participation in the community of persons with a disability
- achieving tangible changes in attitudes and practices which discriminate against persons with a disability.

The Trust's Accessibility Action Plan has already introduced many initiatives and improvements across the four outcome areas. In particular, for the year ending 30 June 2016, the Trust has implemented the following initiatives in relation to accessibility at MCEC:

- website reviewed and accessible to W3C Web content Accessibility Guidelines 2.0 (annual)
- website reviewed for currency of summarised Accessibility Services information (annual)
- a new digital hearing assisted system installed encompassing all areas of the MCEC
- handrails installed in the Plenary balcony seating
- people and Culture polices reviewed to ensure on-going inclusiveness
- mothers room signage modified for inclusiveness
- MCEC is listed on the Companion Card website (annual).

## **VICTORIAN INDUSTRY PARTICIPATION POLICY (VIPP)**

During the 2015/16 year, MCEC did not commence or complete any tendered contracts for which a VIPP Plan was required. MCEC continues to comply with requirements under the VIPP.





# FINANCIAL INFORMATION SUMMARY



# Financial Information Summary

## SUMMARY OF FINANCIAL RESULTS

The following table summarises the financial result of the Trust each year ended 30 June.

	2016	2015	2014	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000
Income from transactions	84,610	84,379	82,762	79,773	73,926
Expenses from transactions	97,464	97,578	101,330	107,944	100,720
Net result from transactions	(12,854)	(13,199)	(18,568)	(28,171)	(26,794)
Net result for the period	(12,978)	(13,250)	(18,575)	(28,118)	(26,335)
Net cash flow from operating activities	14,527	15,125	14,024	11,139	10,256
Total assets	1,016,094	872,940	886,267	898,143	891,149
Total liabilities	302,379	302,637	303,534	296,834	286,968

## COMPREHENSIVE OPERATING STATEMENT

The net result from transactions for the year ended 30 June 2016 was a deficit of \$13 million (2015: \$13.3 million deficit).

### Revenue

MCEC recorded its highest ever revenue result in 2015/16.

The comprehensive operating statement of the Trust for the year ended 30 June 2016 reports total income from transactions of \$84.6 million, which is an increase of \$0.2 million (0.3 per cent) from the previous year.

This result is predominantly due to sales of goods and services which increased by \$0.2 million (0.3 per cent) from 2014/15. Growth in revenue has been restricted due to constrained space availability. Investment into the retail offering has assisted with the marginal growth in revenue.

Included in grant income is an amount of \$5.2 million (2015: \$5.1 million) which represents the grant from the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) for the replacement of assets over the life of Melbourne Convention and Exhibition Centre. The asset life cycle replacement grant is captured in the balance sheet as a non-financial asset until such time as assets are replaced in accordance with the asset replacement schedule outlined in the Project Agreement.

### Expenses

Total expenses from transactions, as defined in the financial statements, were \$97.5 million (2015: \$97.6 million).

Purchases of supplies and services have decreased by \$2.6 million (7.2 per cent). Operating departments continue to improve efficiencies resulting in improved margins across most areas of the business.

Employee expenses have increased by \$1.7 million, reflecting increased casual employee hours worked as the organisation has focused on reducing agency labour, and an increase in salary levels consistent with VPS guidelines.

The interest expense of \$10.4 million (2015: \$10.4 million) relates to the interest charged on the loan with DEDJTR, which partly funded the Convention Centre asset.

Depreciation expense of \$20.8 million (2015: \$20.2 million) has increased marginally from the prior year as a result of a continued investment into capital improvements.

## BALANCE SHEET

The balance sheet of the Trust as at 30 June 2016 reports net assets of \$713.7 million (2015: \$570.3 million).

### Assets

Cash and deposits have decreased by \$3.7 million to \$6.5 million (2015: \$10.2 million). Investments have increased by \$1 million to \$36 million (2015: \$35 million). The reduction in cash and deposits is largely related to an increase in the loan repayment to DEDJTR and purchases of non-financial assets compared to the previous year.

Property, plant and equipment has increased by \$143.1 million. This significant increase is mainly due to the increment in the value of land, buildings and infrastructure assets based on an independent valuation performed by the Valuer-General.

Other non-financial assets have increased by \$3.4 million which is mainly attributable to the capital replacement receivable taken to account during the year, reduced by lifecycle works completed under the Project Agreement.

### Liabilities

The interest bearing liability of \$278.6 million (2015: \$279.6 million) represents the value of the loan with DEDJTR, inclusive of accrued interest.

Other liabilities of \$13.1 million (2015: \$12.8 million) mainly comprise deposits held against future bookings, which represents funds held on behalf of customers until the completion of an event.

### STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity records a net increase in total equity of \$143.4 million to \$713.7 million. The movement in this statement reflects the current year's result along with an increment to the revaluation reserve due to a revaluation of land, buildings and infrastructure assets.

### CASH FLOW STATEMENT

The cash flow statement reports a decrease of \$3.7 million in cash held (2015: \$4.4 million decrease). Total cash holdings as at 30 June 2016 is \$6.5 million (2015: \$10.2 million). Cash flows from operating activities were \$14.5 million for the year (2015: \$15.1 million).

Cash flows used in investing activities reflect assets purchased and expenditure on capital improvements, most notably investment in new and refurbished food and beverage outlets and technology. Purchases of non-financial assets were \$5.9 million (2015: \$5.0 million).

Cash flows from financing activities include the loan repayment to DEDJTR of \$11.3 million (2015: \$10.5 million). This equates to 75 per cent of the net cash flows from operating activities for the previous financial year.

### CONSULTANCY EXPENDITURE

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

In 2015/16, there were nine consultancies where total fees payable to the consultants totalled \$10,000 or more. The total expenditure incurred during 2015/16 in relation to these consultancies was \$257,983 excluding Goods and Services Tax (GST). Details of individual consultancies are outlined below.

Consultant	Purpose of Consultancy	Expenditure (\$'000)
ARUP	Electrical and hydraulic engineering services	42
Denton Corker Marshall	Clarendon Auditorium architectural advice	13
Denton Corker Marshall	Café re-location and Kiosk refurbishment architectural advice	55
Future Food Retail Planners	Café and Kiosk concept design	19
Huddle Australia Pty Ltd	Strategic planning	35
MTD Foodservice Pty Ltd	Kitchen consulting	10
NWHB (NH Architecture)	Café refurbishment architectural advice	36
Parking & Traffic Consultants	Car park audit	17
RXL Consulting	Food safety	30

### Details of consultancies under \$10,000

In 2015/16, there were 18 consultancies engaged during the year, where the total fees payable to the individual consultancies was less than \$10,000. The total expenditure incurred during 2015/16 in relation to these consultancies was \$76,741 (excl. GST).

### INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) EXPENDITURE

For the 2015/16 reporting period, the Trust had a total ICT expenditure of \$2.8 million (excl. GST) with the details shown below.

ICT expenditure refers to the Trust's costs in providing business-enabling ICT services. It comprises Business As Usual (BAU) ICT expenditure and Non Business As Usual (Non BAU) ICT expenditure. Non BAU ICT expenditure relates to extending or enhancing the Trust's current ICT capabilities. BAU ICT expenditure is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.

	<b>Total</b>	<b>BAU</b>	<b>NON BAU</b>
	\$'000	\$'000	\$'000
Operational ICT expenditure	2,788	2,746	42
Capital ICT expenditure	-	-	-
	<b>2,788</b>	<b>2,746</b>	<b>42</b>





# FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2016

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# Declaration

## CHAIRPERSON'S, ACCOUNTABLE OFFICER'S AND CHIEF FINANCE AND ACCOUNTING OFFICER'S DECLARATION

The attached financial statements for the Melbourne Convention and Exhibition Trust (the Trust) have been prepared in accordance with Standing Direction 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 2016 and the financial position of the Trust at 30 June 2016.

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

We authorise the attached financial statements for issue on 22 August 2016.



Robert H Annells PSM  
Chairperson

Melbourne  
22 August 2016



Peter King  
Chief Executive

Melbourne  
22 August 2016



Geoffrey Stephens  
Chief Financial Officer

Melbourne  
22 August 2016

# Comprehensive Operating Statement

for the financial year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>CONTINUING OPERATIONS</b>			
<b>Income from transactions</b>			
Sales of goods and services	2a	78,388	78,156
Interest	2b	988	1,117
Grants	2c	5,234	5,106
<b>Total income from transactions</b>		<b>84,610</b>	<b>84,379</b>
<b>Expenses from transactions</b>			
Supplies and services	3a	33,048	35,607
Employee expenses	3b	32,604	30,897
Interest expense	3c	10,393	10,420
Depreciation	3d	20,767	20,173
Other operating expenses	3e	652	481
<b>Total expenses from transactions</b>		<b>97,464</b>	<b>97,578</b>
<b>NET RESULT FROM TRANSACTIONS (NET OPERATING BALANCE)</b>		<b>(12,854)</b>	<b>(13,199)</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non-financial assets	4a	(50)	(15)
Other gains/(losses) from other economic flows	4b	(74)	(36)
<b>Total other economic flows included in net result</b>		<b>(124)</b>	<b>(51)</b>
<b>NET RESULT</b>		<b>(12,978)</b>	<b>(13,250)</b>
<b>Other economic flows – other comprehensive income</b>			
<b>Items that will not be reclassified to net result</b>			
Changes in physical asset revaluation surplus	20	156,390	820
<b>Total other economic flows – other comprehensive income</b>		<b>156,390</b>	<b>820</b>
<b>COMPREHENSIVE RESULT</b>		<b>143,412</b>	<b>(12,430)</b>

The comprehensive operating statement should be read in conjunction with the accompanying notes.

# Balance Sheet

as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and deposits	5	6,479	10,155
Investments and other financial assets	6	36,000	35,000
Receivables	7	4,406	5,226
<b>Total financial assets</b>		<b>46,885</b>	<b>50,381</b>
<b>Non-financial assets</b>			
Inventories	8	2,207	2,133
Property, plant and equipment	9	940,314	797,184
Other non-financial assets	10	26,688	23,242
<b>Total non-financial assets</b>		<b>969,209</b>	<b>822,559</b>
<b>TOTAL ASSETS</b>		<b>1,016,094</b>	<b>872,940</b>
<b>LIABILITIES</b>			
Payables	11	7,090	6,856
Borrowings	12	278,598	279,549
Provisions	13	3,568	3,440
Other liabilities	14	13,123	12,792
<b>TOTAL LIABILITIES</b>		<b>302,379</b>	<b>302,637</b>
<b>NET ASSETS</b>		<b>713,715</b>	<b>570,303</b>
<b>EQUITY</b>			
Accumulated surplus/(deficit)		(125,648)	(112,670)
Physical asset revaluation surplus	20	416,142	259,752
Contributed capital		423,221	423,221
<b>NET WORTH</b>		<b>713,715</b>	<b>570,303</b>
Commitments for expenditure	16		
Contingent assets and contingent liabilities	17		

The balance sheet should be read in conjunction with the accompanying notes.

# Statement of Changes in Equity

for the financial year ended 30 June 2016

	Notes	Physical asset revaluation surplus	Accumulated deficit	Contributions by owner	Total
		\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2014</b>		<b>258,932</b>	<b>(99,420)</b>	<b>423,221</b>	<b>582,733</b>
Net result for the year		-	(13,250)	-	(13,250)
Other comprehensive income for the year	20	820	-	-	820
<b>Balance at 30 June 2015</b>		<b>259,752</b>	<b>(112,670)</b>	<b>423,221</b>	<b>570,303</b>
Net result for the year		-	(12,978)	-	(12,978)
Other comprehensive income for the year	20	156,390	-	-	156,390
<b>Balance at 30 June 2016</b>		<b>416,142</b>	<b>(125,648)</b>	<b>423,221</b>	<b>713,715</b>

The statement of changes in equity should be read in conjunction with the accompanying notes.

# Cash Flow Statement

for the financial year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Receipts from customers		87,260	86,588
Receipts from Government		-	330
Interest received		978	1,225
<b>Total receipts</b>		<b>88,238</b>	<b>88,143</b>
<b>Payments</b>			
Payments to suppliers and employees		(69,062)	(68,549)
GST paid to the Australian Taxation Office <sup>(i)</sup>		(4,649)	(4,469)
<b>Total payments</b>		<b>(73,711)</b>	<b>(73,018)</b>
<b>NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>	19b	<b>14,527</b>	<b>15,125</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchases of non-financial assets		(5,892)	(5,031)
Sales of non-financial assets		33	8
Transfers from / (to) investments		(1,000)	(4,000)
<b>NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>(6,859)</b>	<b>(9,023)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of loan		(11,344)	(10,518)
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>(11,344)</b>	<b>(10,518)</b>
Net increase/(decrease) in cash and deposits		(3,676)	(4,416)
Cash and deposits at beginning of financial year		10,155	14,571
<b>CASH AND DEPOSITS AT END OF FINANCIAL YEAR</b>	19a	<b>6,479</b>	<b>10,155</b>

(i) GST paid to the ATO is presented on a net basis

The cash flow statement should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

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for the financial year ended 30 June 2016

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# Notes to the Financial Statements

for the financial year ended 30 June 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 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*.

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

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. To gain a better understanding of the terminology used in this report, a glossary of terms can be found in Note 27.

By resolution of the Trustees, the annual financial statements were authorised for issue by the Chairperson of the Trust on 22 August 2016.

### 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.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements made by management in the application of AASs that have significant effects on the financial statements and estimates relate to:

- the fair value of land and buildings – refer to Note 1(j)
- the useful life of plant and equipment – refer to Note 1(f)
- assumptions for employee benefit provisions based on historical data, likely tenure of existing employees, future salary movements and future discount rates – refer to Note 1(k).

These financial statements are presented in Australian dollars, and prepared in accordance with the historical cost convention except for 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; and the fair value of an asset other than land is generally based on its depreciated replacement value.

Consistent with AASB 13 *Fair Value Measurement*, the Trust determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment and financial instruments in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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



For the purpose of fair value disclosures, the Trust has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. In addition, the Trust determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Trust has early adopted AASB 2015-7 *Fair Value Disclosure of Not-for-Profit Public Sector Entities*, which is operative from 1 July 2016. This provides an exemption from disclosing quantitative information of Level 3 inputs.

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

### c. Reporting entity

The financial statements cover the Trust as an individual reporting entity. The Trust is a government agency of the State of Victoria, established pursuant to the provisions of the *Melbourne Convention and Exhibition Trust Act 1996*. Its principal address is:

Melbourne Convention and Exhibition Trust  
1 Convention Centre Place  
South Wharf VIC 3006

### d. Scope and presentation of financial statements

#### Comprehensive operating statement

The comprehensive operating statement comprises three components, being 'net result from transactions' (or termed as 'net operating balance'), 'other economic flows included in net result', as well as 'other economic flows – other comprehensive income.' The sum of the former two, together with the net result from discontinued operations, represents the net result.

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

'Other economic flows' are changes arising from market measurements and includes revaluations and impairments of non-financial physical and intangible assets and gains and losses from disposal of non-financial assets.

This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

#### 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 are disclosed in the notes, where relevant. In general, non-current assets or liabilities are expected to be recovered or settled more than 12 months after the reporting period.

#### Cash flow statement

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

#### Statement of changes in equity

The statement of changes in equity presents reconciliations of non-owner and owner changes in equity from opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows changes due to amounts recognised in the 'comprehensive result' and amounts related to 'transactions with owner in its capacity as owner.'

#### Rounding

Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise stated. Figures in the financial statements may not equate due to rounding.

## 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 at fair value.

### Income from sale of goods and services

Income from the sale of goods and services is recognised upon delivery of the goods or services to the customer.

### Interest income

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

### Grants

Grants for asset life cycle replacement are non-reciprocal and are recognised as income when the grant is received or receivable.

## f. Expenses from transactions

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

### Supplies and services

Supplies and services are recognised as an expense in the reporting period in which they are incurred.

### Employee expenses

These expenses include all costs related to employment including wages and salaries, Fringe Benefits Tax (FBT), leave entitlements, superannuation contributions and WorkCover premiums. Details of the superannuation funds the Trust made contributions to throughout the year are disclosed in Note 25.

### Interest expense

Interest expense represents costs incurred in connection with borrowings. Interest expense is recognised in the period in which it is incurred.

### Depreciation

All buildings, infrastructure assets, plant and equipment and other non-financial physical assets (excluding items under operating leases) 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.

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

The following are typical estimated useful lives for the different asset classes for current and prior years.

Asset	Useful life
Buildings	22 – 50 years
Infrastructure assets	50 years
Plant and equipment	2 – 20 years

Land and cultural assets, which are considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

### Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

## g. Other economic flows included in the net result

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

### Revaluation gains/(losses) on non-financial physical assets

Refer to Note 1(j) revaluations of non financial physical assets.

### Net gain/(loss) on non-financial assets

Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is determined after deducting from proceeds the carrying value of the asset at that time.

### Impairment of assets

All of the Trust's assets are assessed annually for indications of impairment, except for inventories.

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

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell.

### 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 Trust'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 Trust 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 – 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.

The loans and receivables category includes cash and deposits, term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

### 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 of the Trusts contractual payables, deposits held and advances received, and interest-bearing arrangements.

## i. Financial assets

### Cash and deposits

Cash and deposits, including cash equivalents, comprise cash on hand, cash at bank and short-term deposits with a maturity of three months or less.

### Investments and other financial assets

Investments include long-term deposits and are recognised as loans and receivables. Management determines the classification of its investments at initial recognition. Interest earned on the financial asset is recognised in the comprehensive operating statement as a transaction.

### Receivables

Receivables include debtors in relation to goods and services and accrued investment income. Receivables are classified as financial instruments and categorised as loans and receivables.

A provision for doubtful receivables is made when there is objective evidence that the debts may not be collected. Bad debts are written off when identified.

## j. Non-financial assets

### Inventories

Inventories include goods held for consumption in the ordinary course of business operations. Inventories held for consumption are measured at cost.

Service equipment relates to high volume, low cost items used multiple times in service delivery and includes crockery, cutlery and glassware.

### Property, plant and equipment

Buildings, infrastructure assets and plant and equipment are measured initially at cost and subsequently revalued at fair value less accumulated depreciation. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

### Revaluations of non-financial physical assets

Non-financial physical assets are measured at fair value, in accordance with the Financial Reporting Directions (FRDs) 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 generally used to conduct these scheduled revaluations. 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 economic flows – other comprehensive income' and accumulated in equity under the asset revaluation surplus. However, the net revaluation increase is 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 in 'other economic flows – other comprehensive income' to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant, and equipment. Otherwise, the net revaluation decreases are recognised immediately as other economic flows in the net result. The net revaluation decrease recognised in 'other economic flows – other comprehensive income' reduces the amount accumulated in equity under the asset revaluation surplus.

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

**Revaluations of land and cultural assets**

Freehold land and artwork are measured at fair value being the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. It is the policy of the Trust to have an independent valuation at least every five years, to ensure that the carrying amount of each asset class does not differ materially from its fair value.

**Prepayments**

Prepayments represent payments in advance of receipt of goods or services or expenditure made in one accounting period covering a term extending beyond that period.

**Capital replacement receivable**

Capital replacement receivable recognises the asset life cycle replacement grant in accordance with an agreed schedule over the life of the project.

**k. Liabilities****Payables**

Payables consist of:

- contractual payables, such as accounts payable and accrued expenses for goods and services. Payables represent liabilities for goods and services provided to the Trust prior to the end of the financial year that are unpaid, and arise when the Trust becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as GST and FBT payable.

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.

**Borrowings**

Borrowings are initially measured at fair value, being the cost of the borrowings, net of directly attributable transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost, with any difference between the initial recognised amount and the redemption value being recognised in the net result over the period of the borrowing using the effective interest method.

**Provisions**

Provisions are recognised when the Trust 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 date, 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 a discount rate that reflects the time value of money and risks specific to the provision.

**Employee Benefits**

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

**i. Annual leave**

Liability for annual leave is recognised in the provision for employee benefits as 'current liabilities' because the Trust does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for annual leave are measured at:

- nominal value – if the Trust expects to wholly settle within 12 months; or
- present value – if the Trust does not expect to wholly settle within 12 months.

## ii. Long service leave

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

Unconditional LSL (representing seven or more years of continuous service for employees and executives) is disclosed in the notes to the financial statements as a current liability, even where the Trust 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 – if the Trust expects to wholly settle within 12 months; and
- present value – if the Trust does not expect to wholly settle within 12 months.

Conditional LSL (representing less than seven years of continuous service for staff and executives) 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 in the 'net result from transactions', except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised in the net result as an other economic flow.

## iii. Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. The Trust 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.

### Employee benefit on-costs

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

### Deposits held against future bookings

Deposits held against future bookings represent funds held on behalf of customers until the completion of an event.

## I. Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment. The Trust is not a party to any finance leases. Operating lease payments are recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term. The leased asset is not recognised in the balance sheet.

## m. Equity

### Contributions by owners

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

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital.

## n. Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 16) at their nominal value and inclusive of GST payable.

## o. 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 (refer to Note 17) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

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**p. 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 flows.

**q. Events after reporting date**

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Trust 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 a condition which arose after the end of the reporting period that are considered to be of material interest.

**r. Foreign currency**

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items existing at the end of the reporting period are translated at the closing rate at the date of the end of the reporting period.

## s. Australian Accounting Standards issued that are not yet effective

As at 30 June 2016, the following AASs have been issued by the AASB but are not yet effective and may have an impact on the Trust. They become effective for reporting periods commencing after the stated operative dates as follows:

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 <i>Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	<p>The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss.</p> <p>While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.</p>
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2018	<p>The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.</p> <p>A potential impact will be the upfront recognition of revenue from licenses that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening retained earnings if there are no former performance obligations outstanding.</p>
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 Jan 2019	<p>The assessment has indicated that as most operating leases will come on balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase.</p> <p>Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.</p> <p>The amounts of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement.</p> <p>No change for lessors.</p>



## 2. INCOME FROM TRANSACTIONS

	2016	2015
	\$'000	\$'000
<b>(a) Sales of goods and services</b>		
Rendering of services	48,325	49,366
Sales of goods	30,063	28,790
<b>Total sales of goods and services</b>	<b>78,388</b>	<b>78,156</b>
<b>(b) Interest</b>		
Interest on bank deposits	988	1,117
<b>Total interest</b>	<b>988</b>	<b>1,117</b>
<b>(c) Grants</b>		
Asset lifecycle replacement	5,234	5,106
<b>Total grants</b>	<b>5,234</b>	<b>5,106</b>

## 3. EXPENSES FROM TRANSACTIONS

	2016	2015
	\$'000	\$'000
<b>(a) Supplies and services</b>		
Purchase of supplies and services	22,876	25,167
Cost of goods sold	7,857	7,531
Maintenance	2,315	2,909
<b>Total supplies and services</b>	<b>33,048</b>	<b>35,607</b>
<b>(b) Employee expenses</b>		
Defined contribution superannuation expense	2,541	2,422
Salaries and wages, annual leave, long service leave and termination benefits	30,063	28,475
<b>Total employee expenses</b>	<b>32,604</b>	<b>30,897</b>
<b>(c) Interest expense</b>		
Interest on Government loan	10,393	10,420
<b>Total interest expense</b>	<b>10,393</b>	<b>10,420</b>
<b>(d) Depreciation</b>		
Buildings	17,689	17,491
Plant, equipment and vehicles	3,078	2,682
<b>Total depreciation</b>	<b>20,767</b>	<b>20,173</b>
<b>(e) Other operating expenses</b>		
Operating lease expenses	542	468
Bad debts from transactions	110	13
<b>Total other operating expenses</b>	<b>652</b>	<b>481</b>

#### 4. OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT

	2016 \$'000	2015 \$'000
<b>(a) Net gain/(loss) on non-financial assets</b>		
Net gain/(loss) on disposal of property plant and equipment	(2)	38
Write down of inventory	(48)	(53)
<b>Total net gain/(loss) on non-financial assets</b>	<b>(50)</b>	<b>(15)</b>
<b>(b) Other gains/(losses) from other economic flows</b>		
Net gain/(loss) arising from movement in long service leave liability	(74)	(36)
<b>Total other gains/(losses) from other economic flows</b>	<b>(74)</b>	<b>(36)</b>

#### 5. CASH AND DEPOSITS

	2016 \$'000	2015 \$'000
Cash on hand	4,479	10,155
Term deposits <sup>(i)</sup>	2,000	-
<b>Total cash and deposits</b>	<b>6,479</b>	<b>10,155</b>

(i) Term deposits under 'cash and deposits' have a maturity date equal to or less than 90 days.

#### 6. INVESTMENTS AND OTHER FINANCIAL ASSETS

	2016 \$'000	2015 \$'000
Term deposits <sup>(i)</sup>	36,000	35,000
<b>Total investments</b>	<b>36,000</b>	<b>35,000</b>

(i) Term deposits under 'investments' have a maturity date greater than 90 days.

#### 7. RECEIVABLES

	2016 \$'000	2015 \$'000
<b>Contractual</b>		
Receivables <sup>(i)</sup>	4,350	5,110
Amounts owing from Victorian Government <sup>(ii)</sup>	119	119
Provision for doubtful debts <sup>(iii)</sup>	(63)	(3)
<b>Total receivables</b>	<b>4,406</b>	<b>5,226</b>

(i) Receivables are carried at nominal amounts due. The average credit period on settling of monies owed is seven days. No interest is charged on receivables for outstanding balances.

(ii) The amounts receivable from the Victorian Government represent money owing from events Victorian Government departments / agencies have booked at MCEC in the ordinary course of business.

(iii) A provision has been made for amounts where collection is considered no longer probable, determined by reference to issues relating to individual accounts.

**(a) Movement in the provision for doubtful debts**

	2016 \$'000	2015 \$'000
Balance at beginning of the year	(3)	(29)
Decrease in provision due to transfers out	1	-
Amounts written off during the year as uncollectable	2	29
Increase in provision recognised in the net result	(63)	(3)
<b>Balance at end of the year</b>	<b>(63)</b>	<b>(3)</b>

**(b) Ageing analysis of receivables**

Please refer to Table 18.2 in Note 18 for the ageing analysis of contractual receivables.

**(c) Nature and extent of risk arising from receivables**

Please refer to Note 18(a) for the nature and extent of credit risk arising from contractual receivables.

**8. INVENTORIES**

	2016 \$'000	2015 \$'000
Inventories at cost	493	371
Service equipment at cost	1,714	1,762
<b>Total inventories</b>	<b>2,207</b>	<b>2,133</b>

**9. PROPERTY, PLANT AND EQUIPMENT**

	2016 \$'000	2015 \$'000
Land at fair value	297,770	245,625
	<b>297,770</b>	<b>245,625</b>
Buildings at fair value	622,920	565,768
Buildings at cost	-	6,844
Less accumulated depreciation	-	(34,888)
Written down value	<b>622,920</b>	<b>537,724</b>
Infrastructure assets at fair value	2,640	-
	<b>2,640</b>	-
Cultural assets at fair value	1,092	1,083
	<b>1,092</b>	<b>1,083</b>
Work in progress at cost	6,183	2,608
	<b>6,183</b>	<b>2,608</b>
Plant and equipment at fair value	39,085	38,667
Less accumulated depreciation	(29,376)	(28,523)
Written down value	<b>9,709</b>	<b>10,144</b>
<b>Net carrying amount of property, plant and equipment</b>	<b>940,314</b>	<b>797,184</b>

**Table 9.1 Classification by 'public safety and environment' purpose group – movements in carrying amounts**

	Land	Buildings	Infrastructure assets	Cultural assets	Plant & equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 30 June 2016</b>							
Opening balance	245,625	537,724	-	1,083	10,144	2,608	797,184
Additions	-	68	-	-	73	7,375	7,516
Transfers	-	1,212	-	9	2,579	(3,800)	-
Disposals	-	-	-	-	(9)	-	(9)
Revaluations	52,145	101,605	2,640	-	-	-	156,390
Depreciation	-	(17,689)	-	-	(3,078)	-	(20,767)
<b>Closing balance</b>	<b>297,770</b>	<b>622,920</b>	<b>2,640</b>	<b>1,092</b>	<b>9,709</b>	<b>6,183</b>	<b>940,314</b>
<b>Year ended 30 June 2015</b>							
Opening balance	245,625	550,639	-	263	6,843	5,967	809,337
Additions	-	449	-	-	291	6,462	7,202
Transfers	-	4,127	-	-	5,694	(9,821)	-
Disposals	-	-	-	-	(2)	-	(2)
Revaluations	-	-	-	820	-	-	820
Depreciation	-	(17,491)	-	-	(2,682)	-	(20,173)
<b>Closing balance</b>	<b>245,625</b>	<b>537,724</b>	<b>-</b>	<b>1,083</b>	<b>10,144</b>	<b>2,608</b>	<b>797,184</b>

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

Fair value assessments have been performed for all classes of assets in this purpose group. A full revaluation was performed for land, buildings and infrastructure. All other assessments indicate that fair value changes were not material (less than or equal to 10 per cent) and as such the carrying values of all asset classes represent fair value at the reporting date.

Included in infrastructure assets is the Clarendon Street Bridge. The Clarendon Street Bridge was previously incorporated in the building valuation. In 2016 the Clarendon Street Bridge was transferred to a different asset class for more accurate disclosure.

**Table 9.2 Fair value measurement hierarchy for assets**

	Carrying amount \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Year ended 30 June 2016</b>				
Land at fair value				
Specialised land	283,680	-	-	283,680
Non-specialised land	14,090	-	14,090	-
<b>Total of land at fair value</b>	<b>297,770</b>	<b>-</b>	<b>14,090</b>	<b>283,680</b>
Buildings at fair value				
Specialised buildings	622,920	-	-	622,920
<b>Total of buildings at fair value</b>	<b>622,920</b>	<b>-</b>	<b>-</b>	<b>622,920</b>
Plant and equipment at fair value				
Plant and equipment	9,709	-	-	9,709
<b>Total of plant, equipment and vehicles at fair value</b>	<b>9,709</b>	<b>-</b>	<b>-</b>	<b>9,709</b>
Cultural assets at fair value				
Artworks	1,092	-	1,092	-
<b>Total of cultural assets at fair value</b>	<b>1,092</b>	<b>-</b>	<b>1,092</b>	<b>-</b>
Infrastructure at fair value				
Clarendon Street Bridge	2,640	-	-	2,640
<b>Total of infrastructure assets at fair value</b>	<b>2,640</b>	<b>-</b>	<b>-</b>	<b>2,640</b>
<b>Year ended 30 June 2015</b>				
Land at fair value				
Non-specialised land	245,625	-	245,625	-
<b>Total of land at fair value</b>	<b>245,625</b>	<b>-</b>	<b>245,625</b>	<b>-</b>
Buildings at fair value				
Specialised buildings	537,724	-	-	537,724
<b>Total of buildings at fair value</b>	<b>537,724</b>	<b>-</b>	<b>-</b>	<b>537,724</b>
Plant and equipment at fair value				
Plant and equipment	10,144	-	-	10,144
<b>Total of plant, equipment and vehicles at fair value</b>	<b>10,144</b>	<b>-</b>	<b>-</b>	<b>10,144</b>
Cultural assets at fair value				
Artworks	1,083	-	1,083	-
<b>Total of cultural assets at fair value</b>	<b>1,083</b>	<b>-</b>	<b>1,083</b>	<b>-</b>

## Land, Buildings and Infrastructure

Independent valuations of the MCEC's land, buildings and infrastructure assets were performed by independent valuers for the 2016 financial year and conform to Australian Valuation Standards. The land valuation was performed by the Department of Environment, Land, Water and Planning and calculated based on the fair value using the market approach. A community service obligation (CSO) adjustment of 20 per cent has been applied to specialised land to reflect the specialised nature of the land being valued. The buildings and infrastructure assets were valued by Donald Cant Watts Corke and were assessed using a cost approach and are reported based on the depreciated replacement cost.

## Cultural Assets

The fair value of cultural assets was determined with reference to an independent valuation performed in December 2014 by Sophie Ullin (approved Valuer for the Australian Government's Cultural Gifts Program) based on resale value of the works.

## Plant and Equipment

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that is rarely sold other than as part of a going concern, fair value is determined using depreciated replacement cost method.

There were no changes in valuation techniques throughout the period to 30 June 2016.

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

**Table 9.3 Reconciliation of Level 3 fair value**

	Plant and equipment	Buildings	Land	Infrastructure Assets
	\$'000	\$'000	\$'000	\$'000
<b>Year ended 30 June 2016</b>				
<b>Opening balance</b>	<b>10,144</b>	<b>537,724</b>	-	-
Purchases (sales)	2,643	1,280	-	-
Transfers in (out) of Level 3	-	-	237,300	-
Depreciation	(3,078)	(17,689)	-	-
Impairment loss	-	-	-	-
<b>Subtotal</b>	<b>9,709</b>	<b>521,315</b>	<b>237,300</b>	-
Revaluation	-	101,605	46,380	2,640
<b>Closing balance</b>	<b>9,709</b>	<b>622,920</b>	<b>283,680</b>	<b>2,640</b>
<b>Year ended 30 June 2015</b>				
<b>Opening balance</b>	<b>6,843</b>	<b>550,639</b>	-	-
Purchases (sales)	5,983	4,576	-	-
Transfers in (out) of Level 3	-	-	-	-
Depreciation	(2,682)	(17,491)	-	-
Impairment loss	-	-	-	-
<b>Subtotal</b>	<b>10,144</b>	<b>537,724</b>	-	-
Revaluation	-	-	-	-
<b>Closing balance</b>	<b>10,144</b>	<b>537,724</b>	-	-

**Table 9.4 Description of significant unobservable inputs to Level 3 valuations**

	Valuation Technique	Significant unobservable inputs
<b>Plant and equipment</b>	Depreciated replacement cost	Useful life of plant and equipment Cost per unit
<b>Specialised buildings</b>	Depreciated replacement cost	Useful life of buildings Direct cost per square metre
<b>Specialised land</b>	Market approach	Community service obligation adjustment
<b>Infrastructure assets</b>	Depreciated replacement cost	Useful life of the infrastructure Cost per square metre

**10. OTHER NON-FINANCIAL ASSETS**

	2016	2015
	\$'000	\$'000
<b>Current</b>		
Prepayments	1,626	1,632
	<b>1,626</b>	<b>1,632</b>
<b>Non-current</b>		
Capital replacement receivable	25,062	21,610
	<b>25,062</b>	<b>21,610</b>
<b>Total other non-financial assets</b>	<b>26,688</b>	<b>23,242</b>

**11. PAYABLES**

	2016	2015
	\$'000	\$'000
<b>Current</b>		
<b>Contractual</b>		
Trade creditors <sup>(i)</sup>	988	1,551
Amounts payable to Victorian Government <sup>(ii)</sup>	290	-
Other payables	857	807
Accrued expenses	4,119	3,825
	<b>6,254</b>	<b>6,183</b>
<b>Statutory</b>		
FBT payable	82	67
GST payable	539	548
State Revenue Office - payroll tax payable	169	58
State Revenue Office – congestion levy payable	46	-
	<b>836</b>	<b>673</b>
<b>Total payables</b>	<b>7,090</b>	<b>6,856</b>

(i) The average credit period is 30 days. Payables are generally paid within the payment period thereby avoiding any interest charges that may be charged on late payments.

(ii) Terms and conditions of amounts payable to other Government agencies vary according to a particular agreement with that agency.

**(a) Maturity analysis of payables**

Please refer to Table 18.3 in Note 18 for the maturity analysis of payables.

**(b) Nature and extent of risk arising from payables**

Please refer to Note 18 for the nature and extent of risks arising from payables.

**12. BORROWINGS**

	<b>2016</b>	<b>2015</b>
	\$'000	\$'000
<b>Current</b>		
Loan from Government	10,895	11,344
	<b>10,895</b>	<b>11,344</b>
<b>Non-current</b>		
Loan from Government	267,703	268,205
	<b>267,703</b>	<b>268,205</b>
<b>Total borrowings</b>	<b>278,598</b>	<b>279,549</b>

The Convention Centre was financed in the form of a loan with DEDJTR with a value of \$227.7 million together with a capital contribution of \$227.7 million. A Loan Agreement was executed between the Trust and DEDJTR for a 25 year term, at a fixed interest rate of 6.26 per cent per annum, with a commencement date of 1 April 2009, maturing 31 March 2034.

On 27 June 2014, DEDJTR advised the Trust that effective from 1 July 2013, the fixed interest rate on the loan had been amended from 6.26 per cent per annum to 3.78 per cent per annum. A loan variation agreement was signed on 24 July 2014.

Since commencement of the loan the Secretary has agreed to repayment relief through a letter of comfort and loan variation agreement. Loan repayments have been capped at 75 per cent of the Trust's net cash flows from operating activities for the relevant financial year.

The current liability at 30 June 2016 of \$10.9 million represents 75 per cent of the net cash flows from operating activities, in respect to the financial year ended 30 June 2016.

**(a) Maturity analysis of borrowings**

Please refer to Table 18.3 in Note 18 for the maturity analysis of borrowings.

**(b) Nature and extent of risk arising from borrowings**

Please refer to Note 18 for the nature and extent of risks arising from borrowings.



### 13. PROVISIONS

	2016 \$'000	2015 \$'000
<b>Current</b>		
<b>Employee benefits <sup>(i)</sup></b>		
<b>Annual leave</b>		
Unconditional and expected to be settled within 12 months	872	768
Unconditional and expected to be settled after 12 months	39	32
<b>Long service leave</b>		
Unconditional and expected to be settled within 12 months	65	186
Unconditional and expected to be settled after 12 months	1,231	859
<b>Restructure</b>		
Unconditional and expected to be settled within 12 months	-	520
	<b>2,207</b>	<b>2,365</b>
<b>Provisions for on-costs</b>		
Unconditional and expected to settle within 12 months	47	47
Unconditional and expected to settle after 12 months	60	43
	<b>107</b>	<b>90</b>
<b>Total current provisions</b>	<b>2,314</b>	<b>2,455</b>
<b>Non-current</b>		
Employee benefits – long service leave	1,177	919
On-costs – long service leave	77	66
<b>Total non-current provisions</b>	<b>1,254</b>	<b>985</b>
<b>Total provisions</b>	<b>3,568</b>	<b>3,440</b>

(i) Employee benefits consist of annual leave and long service leave accrued by employees. Payroll tax and workers compensation on-costs are not employee benefits and are reflected as a separate provision.

### 14. OTHER LIABILITIES

	2016 \$'000	2015 \$'000
<b>Current</b>		
Income received in advance	27	21
Other liabilities	-	-
Deposits held against future bookings	13,096	12,771
<b>Total other liabilities</b>	<b>13,123</b>	<b>12,792</b>

## 15. LEASES

### Disclosure of operating leases

#### Leasing arrangements

Operating leases relate to plant and office equipment with lease terms of between one and five years. All operating lease contracts contain market review clauses in the event that the Trust exercises its option to renew. All amounts are nominal amounts inclusive of GST.

#### Non-cancellable operating leases

	2016 \$'000	2015 \$'000
Payable no longer than one year	499	374
Longer than one year but not longer than five years	791	741
	<b>1,290</b>	<b>1,115</b>

## 16. COMMITMENTS FOR EXPENDITURE

The following commitments have not been recognised as liabilities in the financial statements. All amounts are nominal amounts inclusive of GST.

#### (a) Capital expenditure commitments

There are no ongoing contracted capital works committed to as at 30 June 2016.

#### (b) Lease commitments

Non-cancellable operating lease commitments are disclosed in Note 15 to the financial statements.

## 17. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Trust has no contingent assets or contingent liabilities to disclose at the date of this report.

## 18. FINANCIAL INSTRUMENTS

The Trust's principal financial instruments comprise cash and deposits, receivables, payables and borrowings.

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 are disclosed in Note 1 to the financial statements.

The carrying amount of the Trust's contractual financial assets and financial liabilities by category are disclosed in table 18.1.

**Table 18.1: Categorisation of financial instruments**

	Contractual financial assets - loans and receivables	Contractual financial liabilities - at amortised cost
	\$'000	\$'000
<b>2016</b>		
<b>Financial assets</b>		
Cash and deposits	6,479	-
Investments and other financial assets	36,000	-
Receivables	4,406	-
	<b>46,885</b>	<b>-</b>
<b>Financial liabilities</b>		
Payables <sup>(i)</sup>	-	6,254
Borrowings	-	278,598
	<b>-</b>	<b>284,852</b>
<b>2015</b>		
<b>Financial assets</b>		
Cash and deposits	10,155	-
Investments and other financial assets	35,000	-
Receivables	5,226	-
	<b>50,381</b>	<b>-</b>
<b>Financial liabilities</b>		
Payables <sup>(i)</sup>	-	6,183
Borrowings	-	279,549
	<b>-</b>	<b>285,732</b>

(i) Amounts disclosed in this table exclude statutory amounts (i.e. GST, FBT, payroll tax and congestion levy payable).

#### (a) Credit risk

Credit risk arises when there is the possibility of the Trust's debtors defaulting on their contractual obligations resulting in financial loss to the Trust. The Trust measures credit risk on a fair value basis and monitors risk on a regular basis.

The Trust does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Trust has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or credit enhancements where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit risk in trade receivables is managed by payment terms of seven days and sound debt collection policies and procedures.

The Trust does not engage in any hedging for its financial assets. The credit risk on liquid funds is limited because the Trust's policy is to only deal with Treasury Corporation of Victoria (AAA rating) and Australian financial institutions with a high credit rating.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the Trust will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments and current and expected changes in customer credit ratings.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Trust's maximum exposure to credit risk without taking account of the value of any collateral obtained.

#### Financial assets that are either past due or impaired

There are no material financial assets which are individually determined to be impaired. Currently the Trust does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated. The ageing analysis table on the following page discloses the ageing only of financial assets that are past due but not impaired.

**Table 18.2: Ageing analysis of contractual financial assets**

	Carrying amount	Not past due and not impaired	Past due but not impaired			
			Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2016</b>						
Receivables	4,406	3,420	760	183	(3)	46
Investments and other financial assets	36,000	36,000	-	-	-	-
	<b>40,406</b>	<b>39,420</b>	<b>760</b>	<b>183</b>	<b>(3)</b>	<b>46</b>
<b>30 June 2015</b>						
Receivables	5,226	3,009	1,547	467	202	1
Investments and other financial assets	35,000	35,000	-	-	-	-
	<b>40,226</b>	<b>38,009</b>	<b>1,547</b>	<b>467</b>	<b>202</b>	<b>1</b>

**(b) Liquidity risk**

Liquidity risk is the risk that the Trust would be unable to meet its financial obligations as and when they fall due. The Trust operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, makes payments within 30 days from the date of resolution.

The Trust manages its liquidity risk by closely monitoring future cash flows to ensure adequate holding of high quality liquid assets and dealing in highly liquid markets. The Trust's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events could be sourced from early liquidation of cash held on deposit if required.

The carrying amount detailed in the following table represents the Trust's maximum exposure to liquidity risk.

**Table 18.3: Maturity analysis of financial liabilities**

	Carrying amount	Nominal amount	Maturity dates				
			Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	5+ years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2016</b>							
Payables <sup>(ii)</sup>	6,254	6,254	5,181	1,058	15	-	-
Borrowings <sup>(iii)</sup>	278,598	387,494	-	10,895	-	89,934	286,665
	<b>284,852</b>	<b>393,748</b>	<b>5,181</b>	<b>11,953</b>	<b>15</b>	<b>89,934</b>	<b>286,665</b>
<b>30 June 2015</b>							
Payables <sup>(ii)</sup>	6,183	6,183	5,910	260	13	-	-
Borrowings <sup>(iii)</sup>	279,549	389,068	-	11,344	-	96,983	280,741
	<b>285,732</b>	<b>395,251</b>	<b>5,910</b>	<b>11,604</b>	<b>13</b>	<b>96,983</b>	<b>280,741</b>

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

(ii) The carrying amounts disclosed exclude statutory amounts (i.e. GST, FBT, payroll tax and congestion levy payable).

(iii) The nominal amount represents the principal and interest payable over the future life of the loan in accordance with the current loan schedule.

**(c) Market risk**

The Trust's exposures to market risk are primarily through foreign currency risk and interest rate risk. Objectives, policies and processes used to manage each of these risks are disclosed below.

**Interest rate risk**

The Trust is not exposed to interest rate risk in relation to the loan with DEDJTR as there is a fixed interest rate for the term of the loan. Cash on term deposit is held with Treasury Corporation of Victoria.

The Trust's sensitivity to interest rate risk is set out in Table 18.5.

**Table 18.4: Interest rate exposure of financial instruments**

	Weighted average effective interest rate %	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000
<b>30 June 2016</b>					
<b>Financial assets</b>					
Cash and deposits	2.14	6,479	-	6,479	-
Investments	2.31	36,000	-	36,000	-
Receivables <sup>(i)</sup>	-	4,406	-	-	4,406
		<b>46,885</b>	<b>-</b>	<b>42,479</b>	<b>4,406</b>
<b>Financial liabilities</b>					
Payables <sup>(i)</sup>	-	6,254	-	-	6,254
Borrowings	3.78	278,598	278,598	-	-
		<b>284,852</b>	<b>278,598</b>	<b>-</b>	<b>6,254</b>
<b>30 June 2015</b>					
<b>Financial assets</b>					
Cash and deposits	2.00	10,155	-	10,155	-
Investments	2.28	35,000	-	35,000	-
Receivables	-	5,226	-	-	5,226
		<b>50,381</b>	<b>-</b>	<b>45,155</b>	<b>5,226</b>
<b>Financial liabilities</b>					
Payables <sup>(i)</sup>	-	6,183	-	-	6,183
Borrowings	3.78	279,549	279,549	-	-
		<b>285,732</b>	<b>279,549</b>	<b>-</b>	<b>6,183</b>

(i) The carrying amounts disclosed here exclude statutory amounts (i.e. GST, FBT, payroll tax and congestion levy payable).

**Table 18.5: Interest rate risk sensitivity**

	Carrying amount	-0.1 (100 basis points)		+0.1 (100 basis points)	
		Profit	Equity	Profit	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2016</b>					
<b>Financial assets</b>					
Cash and deposits <sup>(i)</sup>	6,479	(32)	(32)	32	32
Investments <sup>(ii)</sup>	36,000	(180)	(180)	180	180
<b>30 June 2015</b>					
<b>Financial assets</b>					
Cash and deposits <sup>(i)</sup>	10,155	(51)	(51)	51	51
Investments <sup>(ii)</sup>	35,000	(175)	(175)	175	175

(i) Cash and deposits include deposits of \$6.5 million (2015: \$10.2 million) that are exposed to floating rates movements. Sensitivities to these movements are calculated as follows:

2016: \$6.5 million x (0.01) = (\$0.07) million; and \$6.5 million x 0.01 = \$0.07 million; and

2015: \$10.2 million x (0.01) = (\$0.10) million; and \$10.2 million x 0.01 = \$0.10 million.

(ii) Investments include term deposits of \$36.0 million (2015: \$35.0 million) that are exposed to floating rates movements. Sensitivities to these movements are calculated as follows:

2016: \$36.0 million x (0.01) = (\$0.36) million; and \$36.0 million x 0.01 = \$0.36 million; and

2015: \$35.0 million x (0.01) = (\$0.35) million; and \$35.0 million x 0.01 = \$0.35 million.

#### (d) Fair value

The Trust considers that the carrying amount of financial assets and financial liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full. The fair value of the interest bearing financial liability is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

## 19. CASH FLOW INFORMATION

### (a) Reconciliation of cash and cash equivalents

	2016	2015
	\$'000	\$'000
Total cash and deposits disclosed in the balance sheet	6,479	10,155
<b>Balance as per cash flow statement</b>	<b>6,479</b>	<b>10,155</b>

### (b) Reconciliation of net result for the period to net cash flows from operating activities

<b>Net result for the period</b>	<b>(12,978)</b>	<b>(13,250)</b>
<b>Non-cash movements</b>		
Depreciation of non-current assets	20,767	20,173
Write-back of service equipment	48	53
(Gain)/loss on sale or disposal of non-financial assets	2	(38)
Capital replacement receivable and lifecycle expenses	(4,562)	(3,856)
Interest on Government loan	10,393	10,420
<b>Net change in assets and liabilities</b>		
(Increase)/decrease in current receivables	794	1,949
(Increase)/decrease in current inventories	(121)	46
(Increase)/decrease in other current assets	6	(288)
(Decrease)/increase in current payables	(280)	(141)
(Decrease)/increase in current provisions	(143)	933
(Decrease)/increase in other current liabilities	330	(1,187)
(Decrease)/increase in non-current provisions	271	311
<b>Net cash flows from/(used in) operating activities</b>	<b>14,527</b>	<b>15,125</b>

## 20. PHYSICAL ASSET REVALUATION SURPLUS

	2016	2015
	\$'000	\$'000
Balance at beginning of the year	259,752	258,932
Revaluation increments/(decrements) <sup>(i)</sup>	156,390	820
<b>Balance at end of the year</b>	<b>416,142</b>	<b>259,752</b>

(i) The physical assets revaluation surplus arises on the revaluation of land, buildings and infrastructure assets.

## 21. EX GRATIA EXPENSES

	2016	2015
	\$'000	\$'000
Forgiveness or waiver of debt <sup>(i)</sup>	36	29
<b>Total ex gratia expenses</b>	<b>36</b>	<b>29</b>

(i) Bad debts greater than or equal to \$5,000 that have been written off.

## 22. RESPONSIBLE PERSONS

In accordance with the Ministerial Directions issued by 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 positions of responsible persons for the Trust are as follows:

#### Minister

The Hon. John Eren MP, Minister for Tourism and Major Events

#### Governing Board

Mr Robert Annells PSM (Chairperson)

Ms Yvonne von Hartel AM

Ms Linda Dewar (Term ended 10 August 2015)

Ms Marie Jackson

Ms Sam Andersen

Mr Jonathan Metcalfe

Mr Matthew Mills

#### Chief Executive - Accountable Officer

Mr Peter King

### REMUNERATION

Remuneration received or receivable by Responsible Persons, excluding the Minister, in connection with the management of the Trust during the reporting period is shown below in the relevant bands:

Income band	Total Remuneration	
	2016 No.	2015 No.
\$10,000 - \$10,999	1	-
\$30,000 - \$39,999	5	6
\$50,000 - \$59,999	1	1
\$440,000 - \$449,999	-	1
\$490,000 - \$499,999	1	-
<b>Total number</b>	<b>8</b>	<b>8</b>
<b>Total amount (\$)</b>	<b>723,714</b>	<b>699,389</b>

The remuneration of the Minister is reported in the financial statements of the Department of Premier and Cabinet. For information regarding related party transactions of the Minister, the Register of Members' Interests is publicly available from: [www.parliament.vic.gov.au/publications/register-of-interests](http://www.parliament.vic.gov.au/publications/register-of-interests)



### Related party transactions – Chief Executive

- Melbourne Convention Bureau (MCB)  
Peter King is a Board Member of MCB. MCB plays a key role in securing international conventions for Melbourne. The Trust contributed \$1,749,771 to MCB (2015: \$1,624,333). MCB also transacted with the Trust \$45,465 (2015: \$29,333) for sponsorship and events held at MCEC.
- Business Events Council of Australia (BECA)  
Peter King is the Deputy Chairperson of BECA. During the 2016 financial year the Trust paid \$2,500 (2015: \$2,500) for membership with BECA.
- Exhibition & Event Association of Australasia (EEAA)  
Peter King is a Board Member of EEAA. Throughout the 2016 financial year the Trust paid \$18,318 (2015: \$12,727) for memberships and sponsorships. EEAA also transacted with MCEC \$3,322 (2015: \$49,282) for events held within the venue.
- Tourism Australia Business Events Advisory Council  
Peter King is a member of the Tourism Australia Business Events Advisory Council. Tourism Australia provided \$50,000 in sponsorship for the AIME hosted buyers lunch. In the 2015 financial year Tourism Australia held its annual Australian Tourism Exchange (ATE) event at MCEC along with some smaller meetings and events totalling \$1,017,236.
- Melbourne Cricket Club (MCC)  
Peter King is a Board Member of MCC. During the 2016 financial year the Trust paid \$6,000 (2015: \$31,800) to MCC in corporate expenditure.

### Related party transactions – Governing Board

- VicTrack  
Sam Andersen was a Director on the VicTrack Board of Directors (retired April 2016). VicTrack occasionally hold small meetings and events at MCEC. During this financial year VicTrack has expended \$21,354 (2015: \$4,524).
- Australian Hearing  
Sam Andersen is a Director of the Australian Hearing Board of Directors. Australian Hearing used the Trust's exhibitor services throughout the year. Total expended \$2,250 (2015:\$0).
- Department of Premier and Cabinet  
Sam Andersen is the Chairperson of the Audit and Risk Management Committee for the Department of Premier and Cabinet. The Department of Premier and Cabinet has transacted \$200,244 (2015: \$74,757) for events held at MCEC.
- Parks Victoria  
Matthew Mills is a member of the Gardens Advisory Committee for Parks Victoria. Parks Victoria has transacted \$71,411 (2015 \$1,214) for events held at MCEC.

All related party transactions were negotiated on commercial terms.

## 23. REMUNERATION OF EXECUTIVES AND PAYMENTS TO OTHER PERSONNEL

### (a) Remuneration of Executives

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

Remuneration received or receivable by Executives, in connection with the management of the Trust is shown below in the relevant bands:

Income band	Total Remuneration		Base Remuneration	
	2016 No.	2015 No.	2016 No.	2015 No.
\$80,000 - \$89,999	1	-	1	-
\$100,000 - \$109,999	1	-	1	-
\$140,000 - \$149,999	-	-	-	1
\$150,000 - \$159,999	-	2	-	1
\$180,000 - \$189,999	-	-	1	1
\$200,000 - \$209,999	-	1	-	1
\$210,000 - \$219,999	1	1	1	1
\$220,000 - \$229,999	-	-	1	-
\$230,000 - \$239,999	-	1	1	1
\$240,000 - \$249,999	1	-	-	-
\$250,000 - \$259,999	1	-	1	-
\$260,000 - \$269,999	-	1	-	-
\$280,000 - \$289,999	2	-	-	-
\$300,000 - \$309,999	-	-	1	1
\$330,000 - \$339,999	-	1	-	-
\$350,000 - \$359,999	1	-	-	-
<b>Total number of executives</b>	<b>8</b>	<b>7</b>	<b>8</b>	<b>7</b>
<b>Total annualised employee equivalent (AEE)</b>	<b>7.27</b>	<b>6.71</b>	<b>7.27</b>	<b>6.71</b>
<b>Total amount (\$)</b>	<b>1,841,731</b>	<b>1,565,389</b>	<b>1,623,599</b>	<b>1,445,820</b>

### (b) Payments to other personnel

No payments have been made to contractors who have significant management responsibilities.

## 24. REMUNERATION OF AUDITORS

### Victorian Auditor-General's Office

Audit fees paid or payable to the Victorian Auditor-General's Office for audit of the Trust's financial report:

	2016 \$'000	2015 \$'000
Payable as at 30 June	46	45
<b>Total</b>	<b>46</b>	<b>45</b>

## 25. EMPLOYEE SUPERANNUATION

Employees of the Trust are entitled to receive superannuation benefits and the Trust contributes to defined contribution plans only.

Superannuation contributions for the reporting period are included as part of employee expenses in the comprehensive operating statement of the Trust.

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

Fund	Paid contribution for the year		Contribution outstanding at year end	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Host Plus Superannuation Fund	1,305	1,148	33	-
Australian Super	658	569	17	-
ASGARD Corporate Superannuation Fund	68	81	-	-
Others	493	401	-	-
<b>Total</b>	<b>2,524</b>	<b>2,199</b>	<b>50</b>	<b>-</b>

## 26. SUBSEQUENT EVENTS

After balance date on 4 August 2016, a Memorandum of Understanding (MOU) issued by DEDJTR was approved by the Trust. This agreement sets out forthcoming arrangements relating to the expansion of MCEC. In particular, it deals with project implementation, the Trust's financial commitments to the project, and amendments to the Loan Agreement.

The MOU varies the loan agreement as follows:

- i. the loan term is extended to 20 years from 1 July 2018 or completion of the Trust's expansion project, whichever is later
- ii. the fixed interest rate for the entire term is 3.78 per cent per annum
- iii. loan repayments for the remainder of the term are as set out in the MOU
- iv. MCET must annually assess its ability to make loan repayments in the forthcoming years. Should this assessment indicate the Trust is unable to make the loan repayments, the Trust may apply to the Secretary of DEDJTR for an alteration of the repayment schedule in the MOU.

The MOU also discloses financial commitments payable relating to the expansion of MCEC including the facility management costs as outlined in the Project Agreement. The commitments are as follows:

	Commitment	Less than 1 year	1 – 5 years	5+ years
Plant and equipment	20,000	10,000	10,000	-
Facility management costs	106,949	-	12,085	94,864
<b>Total commitments for expenditure</b>	<b>126,949</b>	<b>10,000</b>	<b>22,085</b>	<b>94,864</b>

At the date of certification of these financial statements, the execution of the MOU by the Secretary of DEDJTR remains pending.

## 27. GLOSSARY OF TERMS

### **Borrowings**

Borrowings refer to interest bearing liabilities raised through DEDJTR.

### **Cash and deposits**

Cash and deposits comprise cash on hand, cash at bank and short-term deposits with a maturity date of 90 days or less.

### **Comprehensive result**

Total net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.

### **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 transactions'.

### **Employee expenses**

Employee expenses include all costs related to employment including wages and salaries, FBT, leave entitlements, superannuation contributions and WorkCover premiums.

### **Ex gratia expenses**

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

### **Financial asset**

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.
- 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 liability**

A financial liability is any liability that is:

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

A complete set of financial statements comprises:

- a balance sheet as at the end of the period;
- a comprehensive operating statement for the period;
- a statement of changes in equity for the period;
- a cash flow statement for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information;
- comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 *Presentation of Financial Statements*; and
- a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraph 41 of AASB 101.

## Grants

Specific purpose grants are paid for a particular purpose and/or have conditions attached regarding their use.

## Interest expense

Costs incurred in connection with the borrowing of funds includes interest on short-term and long-term borrowings.

## Interest income

Interest income includes interest received on bank term deposits and short-term deposits.

## Investments

Investments are term deposits with a maturity date greater than 90 days.

## 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. Includes only those increases and 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 economic flows – other comprehensive income'.

## Net result from transactions/net operating balance

Net result from transactions or net operating balance is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of 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.

## Net worth

Net worth is 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, plant and equipment and cultural assets.

## Other economic flows included in net result

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

- gains and losses from disposals, revaluation and impairments of non-financial physical and intangible assets; and
- fair value changes of financial instruments.

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**Other economic flows – other comprehensive income**

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards. The components of other economic flows – other comprehensive income include changes in physical asset revaluation surplus.

**Other income**

Other income consists of gains/losses on disposal of property, plant and equipment.

**Payables**

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

**Receivables**

Receivables include short and long term trade credit and accounts receivable, grants, taxes and interest receivable.

**Sales of goods and services**

Refers to income from direct provision of goods and services and includes fees and charges for services rendered and sales of goods and services.

**Service equipment**

Relates to high volume, low cost items used multiple times in service delivery and includes crockery, cutlery and glassware.

**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 Trust.

**Transactions**

Transactions are those economic flows that interact between two entities by mutual agreement.

# Auditor-General's Report

**VAGO**

Victorian Auditor-General's Office

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## INDEPENDENT AUDITOR'S REPORT

### To the Trustees, Melbourne Convention and Exhibition Trust

#### *The Financial Report*

I have audited the accompanying financial report for the year ended 30 June 2016 of the Melbourne Convention and Exhibition Trust 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 Chairperson's, Accountable Officer's and Chief Finance and Accounting Officer's declaration.

#### *The Trustees' Responsibility for the Financial Report*

The Trustees of the Melbourne Convention and Exhibition Trust are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Trustees determine is necessary to enable the preparation and fair presentation 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 Trustees, 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.

### Independent Auditor's Report (continued)


#### *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, I and my staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

#### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Melbourne Convention and Exhibition Trust as at 30 June 2016 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE  
25 August 2016



Dr Peter Frost  
Acting Auditor-General



# Disclosure Index

The annual report of the Trust is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of the Trust's compliance with statutory disclosure requirements.

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