

MELBOURNE CONVENTION AND EXHIBITION TRUST ANNUAL REPORT 2017-2018

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EXHIBITION TRUST
ANNUAL REPORT
2017-2018

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CHAIRPERSON'S FOREWORD

In accordance with the *Financial Management Act 1994*, I am pleased to provide the Melbourne Convention and Exhibition Trust (the Trust) Annual Report for the year ended 30 June 2018.

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 fully-integrated facilities trade as Melbourne Convention and Exhibition Centre, under the direction of the Trust.

It was an honour to be appointed Chairperson of the Trust by the Minister for Tourism and Major Events, the Hon. John Eren MP, in August 2017. I would like to acknowledge my predecessor, Robert Annells, who chaired the Trust for 20 years. Robert's passion and dedication to MCEC saw the organisation grow to become the world-leading venue it is today. I thank him for his contribution to business events and conventions in Victoria over many years.

For the 2017/18 year, MCEC recorded \$77.4 million in operating revenue, a \$2.7 million decrease on 2016/17. The venue's economic impact for the year was a record \$984.3 million, up from \$969.1 million the year before.

The organisation fell short of its budgeted operating revenue result by \$5.6 million. This was a consequence of an aggressive budget target, a generally flat marketplace and a number of customers with existing event bookings reducing their food and beverage and technology requirements during the year. MCEC completed a full review of expenditure across the organisation during the year to minimise the budget shortfall and maximise the Trust's operating surplus and cash position at year's end.

There continues to be a strong emphasis on revenue growth across the organisation, though the impact of many initiatives currently being investigated and implemented by MCEC will not be felt until future years.

The construction of MCEC's much-anticipated expansion has been in full swing throughout the year, with the new space to open on 1 July 2018. The venue has continued to operate as usual despite construction work on the expansion, which has seen nearly 700 workers onsite. At year end, our teams were in the expansion running test events ahead of officially opening the space.

The expansion is the most significant business change for MCEC since the opening of the Melbourne Convention Centre in 2009. The 20,000-square-metre expansion includes 9,000 square metres of exhibition space plus additional flexible, multi-purpose event space, 1,000 seat theatre, multiple meeting rooms, a banquet room and a café and bar.

In May 2018, MCEC announced a world-first partnership with global event disruptor C2 International to help us reinvent the future of events. This exclusive partnership will see MCEC offer C2 Labs to our customers, the only convention and exhibition centre globally to do so. This partnership is evolving the role venues play in helping deliver a truly great event experience.

Partnerships will play a key role in MCEC's successful future, and the partnership with C2 International is a significant differentiator for MCEC as we continually look for ways to stand out in the competitive market in which we compete.

Despite increased competition both nationally and internationally, and an operating construction site, MCEC maintained a full events calendar and business as usual approach during the 2017/18 year.

As the diversity of the events we host continues to grow, our customer-centric approach ensures we remain focused on continuing to deliver, innovate and adapt to meet the current needs of our customers.

While the business gets stronger each year, in 2017/18 MCEC experienced a more difficult trading environment, a consequence of aggressive budgets, a tight marketplace and increased competition.

The performance of MCEC for the 2017/18 financial year was predominantly influenced by the following factors:

- The continued shift from an operations-driven to a customer-centric business model as we continue to implement key recommendations from MCEC's customer journey research, such as the myMCEC customer portal.
- The strength of Australia's competitive business events market, with aggressive competition to stage national and international events.
- The significant infrastructure investment that has recently occurred in Sydney and Adelaide, making national and international conferences and conventions more difficult to attract to Melbourne.
- Lack of available space, which saw 315 events worth \$24 million turned away during the year.
- Major recurrent exhibitions being on rotation away from Melbourne which challenged revenue targets as fill-in business to recover this revenue consists of many smaller and more volatile events.

In 2017/18, 1,124 events were held at MCEC. These events attracted 950,385 delegates, including 23 international conventions involving 28,750 delegates and 34 national conventions which attracted 38,626 delegates.

Smaller meetings and events was the largest growth area, increasing by 19 per cent on the 2016/17 financial year. This increase was largely due to a strong sales focus on the government sector, and a greater interest from corporates to hold smaller meetings at MCEC. There were 792 smaller meetings and events held at the venue in 2017/18.

MCEC also continues to be supported by the world-leading Club Melbourne Ambassador Program which, in 2017/18, helped to secure seven international events, yielding an estimated economic impact of over \$123 million for Victoria.

Notable events held at MCEC in 2017/18 include:

- Royal Australian Chemical Institute (RACI) 2017 Centenary Congress
- ECOCITY World Summit 2017
- Cisco Live 2018
- C2 Preview 2017
- Telstra Vantage (TM) 2017
- PAX 2017
- International Dragon Awards (IDA) 2017
- 26th International Joint Conference on Artificial Intelligence (IJCAI) 2017
- 2017 AASCF National Cheer & Dance Championships
- Reed Gift Fairs Melbourne August 2017
- VidCon Australia
- 27th Annual Congress of the Association of the Thoracic and Cardiovascular Surgeons of Asia
- International Society for Stem Cell Research (ISSCR) 2018 Annual Meeting

The Trust has broadened the types of events held within the venue to help ensure space utilisation is maximised and new revenue streams are built and supported. This also provides Melbourne and its event promoters with new space to maximise opportunities. These include ballet, concerts and cultural events. Optimisation and yield management are key focus areas for the organisation over the next couple of years.

MCEC is one of the largest pieces of public infrastructure in Melbourne and with this comes a responsibility to be leaders in achieving sustainable business practice. The venue has implemented many sustainable initiatives over the year and an internal cross departmental working group continues to champion new and innovative ways to improve the venue's environmental footprint.

During the year, MCEC joined 14 other reputable Melbourne organisations collaborating to support the development of a wind farm in regional Victoria. This initiative enables us to offset the projected electricity use of our expansion space with renewable energy. Other initiatives include the removal of single use plastic straws from all MCEC cafes during the year to ensure the 30,000 straws used annually are diverted from landfill.

MCEC's relationship with The Royal Children's Hospital Good Friday Appeal continues, with the 2018 event breaking records for both attendance and donations. MCEC hosted more than 100,000 people for this year's event, which generated over \$18 million in donations.

Despite an increasingly competitive marketplace, MCEC continued to be recognised globally as a venue of choice in 2017/18. Awards received included:

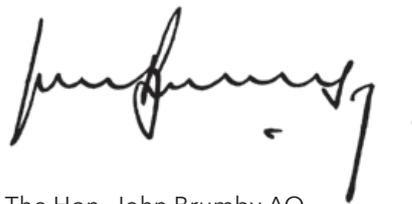
- 2017 EEAA Awards for Excellence - Best Venue Team
- 2017 Victorian Meetings and Events Australia Awards - Meeting Venue 500 Delegates or More
- 2017 Victorian Meetings and Events Australia Awards - Banquet and Catering
- 2017 World Business Awards - Employer of Choice

The team at MCEC should be very proud of this recognition and the economic contribution the venue's operations continue to make to the Victorian economy.

I would like to take this opportunity to thank my fellow Trustees for their hard work and dedication during 2017/18. I thank outgoing Trustee Yvonne von Hartel for her 18 years of service and her contribution to the organisation during that time.

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 remain supportive and encouraging.

Finally, on behalf of all Trustees, I would like to thank MCEC Chief Executive Peter King and the MCEC team for their hard work throughout the year. MCEC is well positioned to continue to lead the industry in Australia and worldwide.



The Hon. John Brumby AO
Chairperson

Melbourne Convention and Exhibition Trust

OPERATIONS REPORT

HISTORY AND BACKGROUND

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.

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 included 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 will open on 1 July 2018. The expansion will ensure MCEC can continue to accommodate the growing global demand for meeting and event spaces, and cement Melbourne as Australia's business events capital. It is estimated 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.

YEAR IN REVIEW

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.

Our vision

To redefine events globally through innovation, partnerships and experiences.

Our mission

To connect and inspire.

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.

PURPOSE AND FUNCTIONS

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, INDICATORS AND OUTPUTS

Five strategic objectives aligning with MCEC's corporate pillars of customer, people, corporate effectiveness and community have been developed

These objectives were identified to ensure the business better serves its customers, stakeholders and the local community.

STRATEGIC OBJECTIVE ONE

Collectively manage customer relationships, revenue, profit and economic impact

As part of the Trust's ongoing commitment to ensuring the health of the business, MCEC remains focussed on customer-centricity to ensure we exceed the expectations of our customers, and achieve budget targets. This is underpinned by the knowledge of the value the venue, and the business events industry more broadly, contributes to the local economy.

In 2017/18, MCEC provided a record \$984.3 million in economic impact to the Victorian economy, up from \$969 million in 2016/17. Nearly one million delegates attended events at the venue during the year, with many staying at local hotels and eating in local restaurants. MCEC's kitchens continue to support the local economy, with the venue remaining committed to sourcing produce from local suppliers wherever possible.

The launch of the myMCEC customer portal was a key initiative under this objective achieved during the year, and has been well-received by customers and the industry globally. The portal streamlines customer communication and enhances the customer experience.

MCEC continues to successfully diversify its offering beyond the traditional exhibition and conference markets to ensure future prosperity.

Victoria is known for its 'Team Melbourne' approach and the venue remains committed to working with industry and the broader community to increase its economic impact. The launch of MCEC's inaugural strategy has seen strong partnerships developed within the health, science, technology and business sectors.

Pursuing inaugural events that create partnership benefits through relationships with the broader business community and Club Melbourne Ambassadors will remain a focus in the coming year, as will continued capacity building in the business development and research department to drive new opportunities.

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

MCEC reports to the Trust on a monthly basis regarding the Occupational Health and Safety (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 2017/18, MCEC experienced a reduction of seven per cent in safety incidents across all indicators - employees, visitors and contractors. There were no incidents of a serious nature during the year, which is a tribute to the high level of health and safety practices in place at MCEC.

OPERATIONS REPORT CONTINUED

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

- International Congress and Convention Association (ICCA)
- Business Events Council of Australia (BECA)
- Exhibition and Event Association of Australia (EEAA)
- Venue Management Association (VMA)
- Meetings and Events Australia (MEA)
- Conventions Australia
- Destination Melbourne
- Melbourne Convention Bureau (MCB)
- Victoria Tourism Industry Council
- AIPC - International Association of Convention Centres
- Victorian Chamber of Commerce and Industry
- Melbourne Chamber of Commerce and Industry
- South Wharf Precinct operations, development and marketing committees

MCEC continues to work closely with government agencies to align State Government priorities with its event creation.

STRATEGIC OBJECTIVE TWO

Build a smarter and more productive business

Harnessing technology to automate manual processes, increase productivity and eliminate redundant practices is a core focus for MCEC to ensure the business operates efficiently and makes informed decisions to enhance productivity.

The identification of the need to upgrade and consolidate critical systems within MCEC brought about the initiation of a Human Resource Information System (HRIS) project in 2016/17. This project continued in 2017/18 and will be completed in the coming financial year. The project focusses on providing an integrated and seamless system involving payroll and rostering systems, as well as integrating talent management and learning and development programs. This centralised system will improve efficiencies and allows the business to capture important data that can be used to inform future business decisions.

In 2017/18, MCEC developed and implemented a new methodology for prioritising internal projects. The new methodology has increased transparency throughout the business on the determining factors in assessing the viability of new projects.

The team also commenced the development of a business case on inventory, jobs management and asset management within the audio visual area of the business. These initiatives will continue to have a significant impact on MCEC's daily business activities in future years.

In 2017/18, MCEC continued to invest in the refurbishment and installation of new equipment in the Exhibition Centre and the Convention Centre, as well as

contributing to projects in preparation for the opening of the Exhibition Centre expansion. The Trust invested appropriately across the year for the delivery of Capital Works projects to respond to industry trends and competition. Significant projects included the second stage of the venue-wide wireless infrastructure upgrade, security upgrades including installation of CCTV within the Exhibition Centre bays, and improved access control for accompanying suites.

STRATEGIC OBJECTIVE THREE

Maintain a persistent focus on the customer in all of our actions

MCEC's customer-centric approach aims to ensure customers feel inspired and their expectations are exceeded.

This approach is reflected in customer feedback, with MCEC averaging an 86.05 per cent customer satisfaction rating in 2017/18, up from 85.5 per cent during 2016/17.

As the business undertakes the transition to a market-led model, building a deeper understanding of current and future customers has been increasingly important. A heightened focus on customer engagement, retention and satisfaction was embedded during the year to ensure MCEC achieves this strategic objective.

Maintaining a persistent focus on our customers will ensure that output and effort are directed to understanding how to improve the experience of customers throughout all stages of their lifecycle. An elevated focus on innovation will enable an increased focus on partnering with customers to co-deliver products and services to address their pain points.

Customer response to the co-designed myMCEC portal launched during the year has been extremely well received and the business has been acknowledged internationally for this industry first initiative. To further reiterate the importance of the customer, MCEC launched a refreshed brand in February 2018, along with a new website.

Customer satisfaction survey results have, once again, been excellent in 2017/18 which reflects the venue's commitment to this area.

The Trust remains focussed on attracting national and international conventions to MCEC, and there are currently 45 international conventions of various sizes and 64 national conventions booked at MCEC over the next two years.

The venue also continues to investigate new revenue streams, working closely with customers to provide a product that caters to industry needs, while creating future business opportunities. An example of a source of new innovative revenue growth is MCEC's Inaugural Strategy, which allows the business to incubate and support new event opportunities.

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, particularly targeting high-value domestic and international association conferences.

In 2017/18, the Club Melbourne Ambassador program held 13 international events, yielding an estimated economic impact of over \$58 million for Victoria. Additionally, in 2017/18, Club Melbourne Ambassadors helped to secure seven future international events with an estimated economic impact of more than \$123 million for Victoria. The World Ophthalmology Congress 2022 was a key event secured, with 10,000 delegates from around the world expected to attend at an estimated economic impact of \$50 million for Victoria.

STRATEGIC OBJECTIVE FOUR

Create an environment where employees reach their potential and we build our people capability

MCEC aims to foster a culture where employees are engaged and feel they are reaching their potential. Building a solid and sound culture will assist MCEC's ability to adapt, innovate and adopt new ways to conduct business, ensuring the organisation maintains its position in a competitive landscape.

At the heart of this transition is the need to build a culture that is nimble, embraces change and encourages a culture of innovation. As we look to the future we also recognise the need to elevate the business improvement function in order to maintain a heightened focus on encouraging the systematic review of business operations, to improving the process for more efficient and effective service delivery.

In 2017/18, MCEC spent significantly on learning and development opportunities across the full-time and casual workforce.

To promote an environment that enables individuals to fulfil their potential and supports the development of employees, MCEC's annual performance review process for all full-time, non-EBA employees, Meet, Align, Perform (MAP), encourages regular performance and development conversations between employees and managers.

A leadership framework was developed and endorsed by the Executive Team during the year and has been rolled out to mid-level leaders across the business to promote leadership development at MCEC.

MCEC's innovation program, THINK, continues to prove that some of the best business ideas and changes come from within. MCEC employees are encouraged to submit ideas and process changes through the intranet where

the Executive Team are able to capture and nurture innovation across MCEC.

MCEC was named an Employer of Choice in the Australian Business Awards and World Business Awards during the year in recognition of practices that demonstrate effective employee recruitment, engagement and retention.

STRATEGIC OBJECTIVE FIVE

Build a more focussed community-minded culture

MCEC is one of the largest pieces of public infrastructure in Melbourne and with this comes a responsibility to be leaders in achieving sustainable business practice.

The venue is a founding partner of the Melbourne Renewable Energy Project, a Melbourne first initiative which unites 14 leading businesses within Melbourne to source energy from a wind farm. This initiative enables us to offset the projected electricity use of our expansion space with renewable energy.

MCEC's Environmental Task Force (a collaboration between public private partners MCEC, Plenary and Brookfield Global Integrated Solutions (BGIS) management) and Operation Green (comprising MCEC, BGIS and IKON employees) continue to drive positive environmental outcomes for the venue. Sustainability initiatives for 2017/18 include the removal of single use plastic straws from all MCEC cafes during the year to ensure the 30,000 straws used annually are diverted from landfill.

MCEC remains committed to ongoing initiatives to enhance its sustainability footprint and will continue to work with local charities to maximise its positive impact within the community.

Long term partnerships with the Royal Children's Hospital, Launch Housing and OzHarvest have delivered significant societal results for the community over recent times.

MCEC continues to host the Royal Children's Hospital Good Friday Appeal, which is now one of Melbourne's largest public events. More than 100,000 people attended the event in 2018. The organisation's partnership with OzHarvest sees the redistribution of over 30,000 meals each year. In 2017/18, MCEC donated 34,748 meals which equates to 11,582 kilograms of food through OzHarvest's food rescue donation program.

Our relationship with Launch Housing provides casual employment to students in need through an employment pathway program. MCEC continued its work to support long-standing partners including the Starlight Children's Foundation and Variety Australia in 2017/18.

With the expansion now open, our focus is to enhance and build upon these existing partnerships to leverage the new expanded space and position MCEC as a world leading venue in sustainability and community practice.

OPERATIONS REPORT CONTINUED

FINANCIAL INFORMATION SUMMARY

Five Year Financial Summary

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

	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
Income from transactions	84,893	87,716	84,610	84,379	82,762
Expenses from transactions	104,353	102,118	97,464	97,578	101,330
Net result from transactions	(19,460)	(14,402)	(12,854)	(13,199)	(18,568)
Net result for the period	(19,579)	(14,301)	(12,978)	(13,250)	(18,575)
Net result for the period before interest and depreciation	10,421	15,083	18,182	17,343	15,018
Net cash flow from operating activities	10,728	10,403	14,527	15,125	14,024
Total assets	1,040,790	1,004,902	1,016,094	872,940	886,267
Total liabilities	319,267	305,488	302,379	302,637	303,534

CURRENT YEAR FINANCIAL REVIEW

COMPREHENSIVE OPERATING STATEMENT

The net result from transactions for the year ended 30 June 2018 was a deficit of \$19.5 million (2017: \$14.4 million deficit). Pre-depreciation and interest expense a positive result of \$10.4 million was recorded compared with \$15.1 million in 2016/17.

Revenue

The comprehensive operating statement of the Trust for the year ended 30 June 2018 reports total income from transactions of \$84.9 million (2017: \$87.7 million), which is a decrease of \$2.8 million (3.2 per cent) from the previous year.

This result is predominantly due to sales of goods and services which decreased by \$2.8 million (3.5 per cent) from 2016/17. A generally flat market place and a number of customers reducing their technology and food and beverage requirements led to this result.

Included in grant income is an amount of \$5.5 million (2017: \$5.4 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 the 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, totalled \$104.4 million (2017: \$102.1 million).

Purchases of supplies and services have decreased by \$1.3 million (3.8 per cent). This decrease can be attributed to the decrease in operating revenue. Included within supplies and services are cost of goods sold totaling \$8.0 million (2017: \$8.4 million) a five per cent decrease on the prior year.

Employee expenses have increased by \$2.9 million, an increase in salary levels consistent with VPS guidelines and additional roles appointed to ensure operational readiness for the expansion opening.

The interest expense of \$10.6 million (2017: \$10.5 million) relates to the interest charged on the loan with DEDJTR, which partly funded the Convention Centre asset.

Depreciation expense of \$19.4 million (2017: \$18.9 million) has increased from the prior year due to the asset additions from completed capital projects.

BALANCE SHEET

The balance sheet of the Trust as at 30 June 2018 reports net assets of \$721.5 million (2017: \$699.4 million).

Assets

Cash and deposits have increased by \$1.0 million and investments and other financial assets have decreased by \$5.0 million. The net reduction is due to the loan repayment to DEDJTR and an increase in purchases of non-financial assets compared to the previous year.

Property, plant and equipment has increased by \$34.9 million. The increase is due to the increment in the value of land based on a managerial revaluation and asset additions from completed capital projects partly offset by depreciation expense for the year.

Other non-financial assets have increased by \$4.2 million which is mainly attributable to the capital replacement receivable taken to account during the year, reduced by life cycle works completed under the Project Agreement.

Liabilities

The interest bearing liability of \$287.1 million (2017: \$281.6 million) represents the value of the loan with DEDJTR inclusive of accrued interest.

Other liabilities of \$17.0 million (2017: \$13.1 million) mainly comprises deposits held against future bookings which represents funds held on behalf of customers until the completion of an event.

CASH FLOW STATEMENT

The cash flow statement reports an increase of \$1.0 million in cash held (2017: \$1.6 million decrease). Total cash holdings as at 30 June 2018 are \$5.9 million (2017: \$4.9 million). Cash flows from operating activities were \$10.7 million for the year (2017: \$10.4 million).

Cash flows used in investing activities reflect assets purchased and expenditure on capital improvements, most notably investment in the expansion and a Wi-Fi infrastructure upgrade. Purchases of non-financial assets totalled \$9.6 million (2017: \$7.5 million).

Cash flows from financing activities include the loan repayment to DEDJTR of \$5.2 million (2017: \$7.5 million).

STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity records a net increase in total equity of \$22.1 million to \$721.5 million. The movement in this statement reflects the current year's result along with an increment to the revaluation reserve due to the managerial revaluation of land.

GOVERNANCE AND ORGANISATIONAL STRUCTURE

POWERS AND DUTIES

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.

THE TRUST'S MINISTER

Minister for Tourism and Major Events.

The Honourable John Eren MP is the Victorian Minister for Tourism and Major Events, Minister for Sport and Minister for Veterans, a position he has held since December 2014.

Minister Eren is responsible for safeguarding Victoria's position as a world leader for business events, major events and tourism, and its title as Australia's sporting capital.

TRUSTEES

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

THE HON. JOHN BRUMBY AO

Chairperson

The Hon. John Brumby was appointed as Chairperson of the Trust on 11 August 2017 for a period of three years. Mr Brumby is the former Premier of Victoria (2007 - 2010) and has immense experience in public life, serving for more than 10 years as Treasurer and then Premier of Victoria, six years as Leader of the Victorian Opposition and seven years as Federal MHR for Bendigo during the Hawke Government.

Since retiring from politics, Mr Brumby has accepted a number of appointments in both the business and not-for-profit sectors, including:

- Chairman of the Motor Trades Association of Australia (MTAA) Superannuation Fund;
- Chairman of Citywide Service Solutions Pty Ltd;
- Independent Director of Huawei Technologies (Australia) Pty Limited;
- Chairman of BioCurate Pty Ltd;
- National President of the Australia China Business Council;
- Chairman of the Fred Hollows Foundation; and
- Chairman of the Olivia Newton-John Cancer Research Institute.

Mr Brumby is also an Enterprise Professor at the University of Melbourne and is Chair of the Melbourne School of Government Advisory Board.

MS YVONNE VON HARTEL AM

Trustee

Ms von Hartel was reappointed to the Trust for a further 12 months commencing 22 June 2017. 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, Chair of the Victorian Building Regulations Advisory Committee, 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, owner and operator of Eastlink. In 2007, Ms von Hartel was awarded a Member of the Order of Australia for services to architecture, design and building through involvement with a range of professional organisations, to the promotion of women in business, and to the community.

Ms von Hartel's term concluded on 21 June 2018 and was not renewed.

MS MARIE JACKSON

Trustee

Ms Jackson was reappointed to the Trust for a further three years commencing 22 June 2017. With rich experience in the incentive, meetings and tourism industries, Ms Jackson is an executive director of Solterbeck. Solterbeck works with companies to help increase the engagement and performance of their employees and channel partners through the planning and implementation of incentive travel, conferences and events. 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 a board director of Ogilvy & Mather. Ms Jackson currently sits on the board of the Indigenous Art Code.

MR JONATHAN METCALFE

Trustee

Mr Metcalfe was reappointed to the Trust for a further three years commencing 1 July 2016. He currently acts as a Senior Strategic Advisor to LEK Consulting, as well as also being the Principal of JNM Advisory Services Pty Ltd. Prior to this, Mr Metcalfe was the Public Transport Lead Advisor to PwC and before this was Chief Executive Officer of Transdev Australasia (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 moving 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 'Safety Ambassador of the Year' by Safe Work Australia in 2013.

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, Non-executive Director and Audit Committee Chair. She is also a Director, member of the Governance and Remuneration Committee and Chair of the Risk Committee of Beyond Bank Australia, Chair of the Australian Packaging Covenant Limited, Director and Chair of the Audit and Risk Management Committee of the Chisholm Institute of TAFE, Director and Chair of the Audit Committee of Agriculture Victoria Services Pty Ltd, and Director and Chair of the Audit and 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 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 & Marketing Director at GCP, a major Victorian manufacturer and supplier of materials to retail, horticulture and agriculture. 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 formerly 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 served as a Trustee at Southern Metropolitan Cemeteries Trust, completing his term in September 2017. He has previously served as a Trustee at Trust for Nature Victoria and Chair of D.R.G.A.C., a Community Advisory Committee for significant gardens to Parks Victoria.

MS PAULA BENSON

Trustee

Ms Benson was appointed to the Trust for three years commencing 30 May 2017. She is a leading corporate affairs professional and non-executive director with almost 20 years' experience in financial services, media, resources, infrastructure and the education sector.

Ms Benson has held senior roles in business and the media including Executive General Manager Corporate Affairs at National Australia Bank (NAB); General Manager, Corporate Responsibility, NAB; General Manager Corporate Affairs at Alcoa of Australia; Manager Public Affairs RMIT University; and Producer of A Current Affair, Channel 9.

Ms Benson is Non-Executive Director at the Victorian Funds Management Corporation and the Chair of Ovarian Cancer Australia. She is a former Director of the Port of Melbourne Corporation, the Royal Women's Hospital Foundation and Regional Arts Victoria. She holds a Master of Arts in Journalism from the University of Technology, Sydney and a Bachelor of Arts from the University of New South Wales.

TRUST INFORMATION

Appointments and Resignations

Mr Annells' Chairmanship concluded on 10 August 2017 and was not renewed.

The tenure of Ms Yvonne von Hartel concluded on 21 June 2018 and was not renewed.

Trust Meetings

A total of 10 Trust meetings were conducted during the year ended 30 June 2018.

	Eligible to Attend	Attended
The Hon. John Brumby AO	9	9
Ms Yvonne von Hartel	10	8
Ms Marie Jackson	10	10
Mr Jonathan Metcalfe	10	10
Ms Sandra (Sam) Andersen	10	10
Mr Matthew Mills	10	10
Ms Paula Benson	10	9
Mr Robert Annells PSM	1	1

An internal assessment of the Board of Trustees' performance was undertaken in 2017/18.

Sub-Committees

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

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).

In the 2018/19 financial year, this Sub-Committee will comprise of Ms Marie Jackson (Chair), Ms Paula Benson and Mr Jonathan Metcalfe.

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.

In the 2018/19 financial year, this Sub-committee will comprise of Mr Matthew Mills (Chair) and Ms Sam Andersen. There is currently one vacant position on this Sub-Committee.

Finance and Audit Sub-Committee

Ms Sam Andersen (Chair)

Ms Marie Jackson

Ms Paula Benson

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 included:

- Assist the Trust in fulfilling its governance role 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.

On 1 June, the Capital Works Sub-Committee was reformed as the Investment and Business Development Sub-Committee.

Investment and Business Development Sub-Committee (effective from 1 June)

Mr Jonathan Metcalfe (Chair)

Mr Matthew Mills

Ms Yvonne von Hartel (position vacant at year end)

The main responsibilities of the Investment and Business Development Sub-Committee include:

- Support the Trust in providing oversight of the entity's business development, event generation, capacity utilisation and revenue fulfilment responsibilities in accordance with the organisation's financial and budgetary commitments.
- Fulfil its governance 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.

EXECUTIVE MANAGEMENT

CHIEF EXECUTIVE

Peter King

The Chief Executive is responsible for the overall management, business plan delivery and future strategic direction of MCEC. Peter also manages all key corporate relationships along with representing the organisation on a number of industry Boards and other Committees within the international and domestic market.

CHIEF OPERATING OFFICER

Leighton Wood

The Chief Operating Officer is responsible for the day to day operations of MCEC including operations, planning, technology services, food and beverage, safety, security and capital works. Leighton's team of more than 600 employees work together to deliver more than 1,000 events each year.

CHIEF FINANCIAL OFFICER

Geoff Stephens

The Chief Financial Officer 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. Geoff 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

The Director of People and Culture is responsible for the development and oversight of the people function at MCEC. Helen's responsibilities also include talent acquisition/recruitment, talent management and employee development, employee services including benefits, workplace relations, employee engagement, social and wellbeing initiatives, along with the integration of MCEC's unity cultural program across the business.

DIRECTOR OF CUSTOMER EXPERIENCE AND OPTIMISATION

Anne Jamieson

The Director of Customer Experience and Optimisation engages 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's ability to achieve and grow revenue targets across the business. Anne is responsible for management of Club Melbourne and inaugural event strategies for the business and is also the Chair of Meetings & Events Australia, a board member of the Victorian Tourism Industry Council and Chair of the Victorian Events Committee.

DIRECTOR OF STRATEGY AND INNOVATION

Vacant

The Director of Strategy and Innovation 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, this role oversees the marketing and communications function at MCEC and is responsible for the design and delivery of MCEC's expansion project. This position was vacant at year end.

DIRECTOR OF CORPORATE SERVICES

Barbara Adams

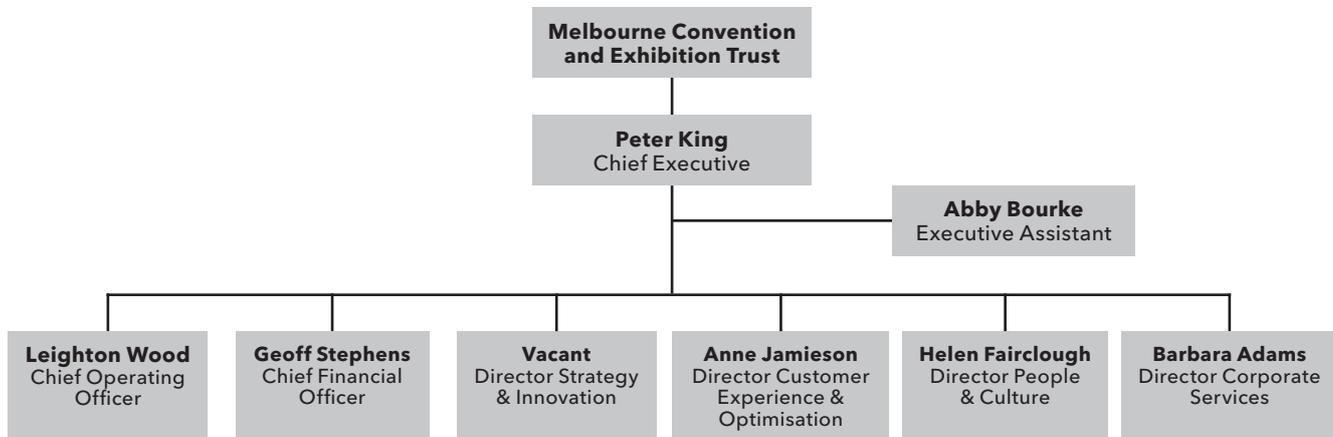
The Director of Corporate Services provides leadership to the Corporate Services division to enable the delivery of an innovative and reliable business technology platform that supports the Trust's business processes and ensures availability of business-critical information and knowledge. Barbara also 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.

MANAGEMENT AND EMPLOYEES

For the year ended 30 June 2018, the Trust employed seven Trustees, 207 full-time employees and the full-time equivalent of six part-time and 238 casual employees.

This compares to seven Trustees, 187 full-time employees and the full-time equivalent of four part-time and 240 casual employees for the year ended 30 June 2017.

ORGANISATION STRUCTURE



OCCUPATIONAL HEALTH AND SAFETY

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.

WORK HEALTH & SAFETY PERFORMANCE

Over the past year, 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 year, there were 104 reported injuries (61 employees, 35 visitors and eight contractors), the vast majority of which were minor. This represents an injury reduction of seven per cent across all categories, relative to WH&S performance indicators. A total of 30 staff days were lost during the year due to injuries. There are five WorkCover claims ongoing.

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

Target 1: Employees - 10 per cent reduction of employee injuries relative to hours worked

An average of 6.66 injuries per month per 100,000 hours worked for FY18 versus an average of 6.66 in FY17 on par with last year.

Target 2: Public - 10 per cent reduction of public injuries relative to number of visitors

An average of 1.45 injuries per month per 100,000 visitors for FY18 versus an average FY17 figure of 1.61 - a reduction of 10 per cent.

Target 3: Contractors - 10 per cent reduction of contractor injuries

The total number of injuries for contractors FY18 is seven, while for FY17 this was eight - a reduction of 11 per cent.

Target 4: Lost Time Injury Frequency Rate (LTIFR) <10

The LTIFR is 6.9.

Target 5: Severity Rate <20

The severity rate is 5.

EMPLOYMENT AND CONDUCT PRINCIPLES

All employee matters are governed by the principles of merit and equity. 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*.

OTHER DISCLOSURES

VICTORIAN INDUSTRY PARTICIPATION POLICY (VIPP)

During the 2017/18 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.

CONSULTANCY EXPENDITURE

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

In 2017/18 there were eight consultancies where the total fees payable to the consultants were \$10,000 or more. The total expenditure incurred during 2017/18 in relation to these consultancies was \$180,456 (excluding GST). Details of individual consultancies are outlined below.

Consultant	Purpose of Consultancy	Expenditure (\$'000)
Alto Cibum	Major events proposal	12
ARUP	Security review	12
ARUP	Structural consulting	26
Brookfield Global Integrated Solutions Pty Ltd	Wireless infrastructure site audit	24
Dimension Data	External network and web application penetration testing	30
Ernst & Young	Victorian Protective Data Security Framework	50
Nous Group Pty Ltd	Strategic planning	14
NH Architecture	Security improvement strategy	12

Details of consultancies under \$10,000

In 2017/18, there were eight consultancies engaged during the year, where the total fees payable to the individual consultancies was less than \$10,000. The total expenditure incurred during 2017/18 in relation to these consultancies was \$28,320 (excluding GST).

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) EXPENDITURE

For the 2017/18 reporting period, the Trust had total ICT expenditure of \$5.6 million (excluding GST) with the details shown below.

Business as Usual	Non Business as Usual			
	ICT expenditure \$'000	ICT expenditure \$'000	Operational expenditure \$'000	Capital expenditure \$'000
3,340	2,261	61	2,200	

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.

OPERATIONS REPORT CONTINUED

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 2018, the Trust received three applications. Of these requests, two were from the public and one from the media.

The Trust made three decisions during the 12 months ended 30 June 2018, all within the statutory 45 day time period (prior to 1 September 2017). Of these decisions, one related to a request received in the prior year and one decision is currently being processed.

The average time taken to finalise requests in 2017/18 was 11 days.

All requests for FOI access must be made in writing to the 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.foicommisioner.vic.gov.au.

Freedom of Information (FOI) Part II Information Statements

Statement 1: Organisation and Function

Refer to Functions in the Melbourne Convention and Exhibition Trust Annual Report 2017/18.

Statement 2: Categories of Documents

The types of documents that the Melbourne Convention and Exhibition Trust handles include:

- Policy, procedures and standards
- Briefings and reports
- Correspondence
- Administrative records
- Operational records
- Registers
- Meeting records
- Financial records
- Photographs, images and multimedia objects
- Maps and plans

Documents are classified under the following categories:

- Committees
- Community Relations
- Contracting
- Equipment
- Financial Management
- Fleet Management
- Industrial Relations
- Information Management
- Legal
- Occupational Health and Safety
- Personnel Management
- Policy
- Publication
- Employee Development
- Strategic Management
- Technology and Telecommunications

Statement 3: Material Made Available to the Public

Material available for the public can be found on MCEC's website www.mcec.com.au.

Statement 4: Rules, Policies and Procedures

Refer to the Freedom of Information (FOI) section in the Melbourne Convention and Exhibition Trust Annual Report 2017/18.

Statement 5: Responsibilities

Within Melbourne Convention and Exhibition Trust, the Chief Executive has the authority as Principle Officer to make decisions regarding freedom of information requests.

BUILDING REGULATIONS

The Trust complies with the building and maintenance provisions of the *Building Act 1993* as is relevant to any buildings that the Trust owns or controls.

NATIONAL COMPETITION POLICY

The Trust recognises the requirements of the National Competition Policy, including the requirements of the policy statement, *Competitive Neutrality Policy*, and any subsequent reforms.

The Trust maintains a review process of its pricing structure having regard to the obligations outlined in the *Competitive Neutrality Policy*.

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.

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

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*:

- reduce 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 2018, 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)
- MCEC is listed on the Companion Card website (Annual)
- Replacement lift buttons in the Melbourne Exhibition Centre have been upgraded to include braille numbering and illumination
- Link door stoppers have been upgraded to provide a dedicated system for keeping manual doors open electronically
- Ensuring expansion construction complies with DDA compliance and accessibility has been considered in fit out
- People and Culture policies reviewed to ensure ongoing inclusiveness
- Incorporated accessibility awareness into employee orientation
- Additional portable disability ramp procured.

OFFICE BASED ENVIRONMENTAL IMPACTS

MCEC's sustainability effort was developed to meet government requirements, customer and employee expectations and to ultimately reduce our impact on the environment.

The following is a high level assessment of progress against the primary objectives of the 2016-2021 Sustainability Plan.

OPERATIONS REPORT CONTINUED

REDUCE CARBON EMISSIONS

Using the 2015 calendar year as a baseline (225 kg CO₂-e per square metre) our targets are:

- 2017 203kg CO₂-e per sqm (reduction of 10 per cent)
- 2019 180kg CO₂-e per sqm (reduction of 20 per cent)
- 2021 158kg CO₂-e per sqm (reduction of 30 per cent)

Our business emitted 205kg CO₂-e per sqm in 2017, just shy of our target (203kg CO₂-e per sqm) and a reduction of 9 per cent of the 2015 level. This was despite revenues growing by 5 per cent over this period. EarthCheck benchmarking shows that in 2016 MCEC emitted 214 kg CO₂-e per sqm. We were lower than the regional average of 235 kg CO₂-e per square metre for like businesses (convention and exhibition centres, hotels).

Milestone achievements that have contributed to this result include:

- Commissioning of an Energy Management System (EMS) for the Exhibition Centre, including CO₂ monitoring and variable speed drives in the bays and car park
- Replacement of three Exhibition Centre chillers with units that are 6 per cent more energy efficient, that don't use the ozone depleting Dichlorodifluoromethane (R12) refrigerant, and feature soft starters that eliminate costly and business interrupting electricity spikes.

Further, MCEC has confirmed its participation in the City of Melbourne's Renewable Energy Project through which MCEC will, from the beginning of 2019, source 2.5GWh, approximately 10 per cent of its electricity requirements. While the venue's footprint post-expansion will grow by 25 per cent, our carbon emissions will not change. In addition, 660 exhibition halogen bay lights will be replaced with LED fixtures in 2018. The business will achieve its 2019 reduction target and is confident of achieving the 2021 target in a business that will have seen more than 20 per cent growth during the period.

MAXIMISE DIVERSION FROM LANDFILL

Our targets for diversion from landfill (our benchmark year of 2015 was 51 per cent) are:

- 2017 - 60 per cent
- 2019 - 70 per cent
- 2021 - 80 per cent

The constant attention to this area by our employees has seen diversion from landfill reach 70 per cent, achieving our 2019 level in 2018.

EarthCheck benchmarking shows that in 2016 MCEC was the regional leader in minimising waste sent to landfill, with its 4.2 litres per square metre usage being 78 per cent better than the regional average at 20 litres per square metre. MCEC participates in the Green Venue Report along with 65 other international centres, with the report showing that MCEC's median diversion from landfill rate of 46 per cent is ahead of the industry and ahead of its target.

MILESTONE ACHIEVEMENTS

Milestone achievements during the 2017/18 year include:

- New bin signage featuring pictograms that communicate the rubbish to be placed in each bin type
- Improving the ordering of food by the Kitchen team to reduce waste
- Strengthening our partnership with OzHarvest to ensure optimal levels of donation of excess food - we achieved over 100 pick-ups in 2017 compared to 10 pick-ups in 2015
- Additional waste streams implemented, growing from 12 to 15 over the past year.

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.

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.

ADDITIONAL INFORMATION AVAILABLE ON REQUEST

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

The information is available on request from:

Melbourne Convention and Exhibition Trust
Accountable Officer
03 9235 8000
enquiries@mcec.com.au

ATTESTATION FOR FINANCIAL MANAGEMENT COMPLIANCE WITH MINISTERIAL STANDING DIRECTION 5.1.4

I, The Hon. John Brumby AO, on behalf of the Trust, certify that the Melbourne Convention and Exhibition Trust has complied with the applicable Standing Directions of the Minister for Finance under the *Financial Management Act 1994* and Instructions.

COMPLIANCE WITH DATAVIC ACCESS POLICY

Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, the financial statements included in this Annual Report will be available at www.data.vic.gov.au in electronic readable format.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

How this report is structured

The Melbourne Convention and Exhibition Trust has presented its audited general purpose financial statements for the financial year ended 30 June 2018 in the following structure to provide users with the information about the Trust's stewardship of resources entrusted to it.

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FINANCIAL STATEMENTS CONTINUED

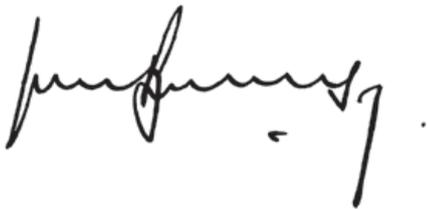
FINANCIAL STATEMENTS DECLARATION

The attached financial statements for the Melbourne Convention and Exhibition Trust have been prepared in accordance with Standing Direction 5.2 of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

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

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 17 August 2018.



The Hon. John Brumby AO
Trust Chair

Melbourne
17 August 2018



Peter King
Chief Executive

Melbourne
17 August 2018



Geoff Stephens
Chief Financial Officer

Melbourne
17 August 2018

INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

To the Trustees of the Melbourne Convention and Exhibition Trust

Opinion	<p>I have audited the financial report of the Melbourne Convention and Exhibition Trust (the Trust) which comprises the:</p> <ul style="list-style-type: none">• balance sheet as at 30 June 2018• comprehensive operating statement for the year then ended• statement of changes in equity for the year then ended• cash flow statement for the year then ended• notes to the financial statements, including significant accounting policies• financial statements declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the Trust as at 30 June 2018 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the Trust in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Trustees' responsibilities for the financial report	<p>The Trustees of the Trust are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Trustees determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Trustees are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

FINANCIAL STATEMENTS CONTINUED

**Auditor's
responsibilities
for the audit
of the financial
report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees
- conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
21 August 2018



Simone Bohan
as delegate for the Auditor-General of Victoria

COMPREHENSIVE OPERATING STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Notes	2018 \$'000	2017 \$'000
Continuing operations			
Income from transactions			
Sales of goods and services	2.1.1	78,687	81,514
Interest		707	837
Grants	2.1.2	5,499	5,365
Total income from transactions		84,893	87,716
Expenses from transactions			
Supplies and services	3.1.1	34,482	35,830
Employee expenses	3.1.2	39,350	36,419
Interest expense	6.1.2	10,648	10,467
Depreciation	4.1.2	19,352	18,917
Other operating expenses	3.1.5	521	485
Total expenses from transactions		104,353	102,118
NET RESULT FROM TRANSACTIONS (NET OPERATING BALANCE)		(19,460)	(14,402)
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	8.2	(116)	(42)
Other gains/(losses) from other economic flows	8.2	(3)	143
Total other economic flows included in net result		(119)	101
NET RESULT		(19,579)	(14,301)
Other economic flows - other comprehensive income			
Items that will not be reclassified to net result			
Changes in physical asset revaluation surplus	8.3	41,688	-
Total other economic flows - other comprehensive income		41,688	-
COMPREHENSIVE RESULT		22,109	(14,301)

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS CONTINUED

BALANCE SHEET

AS AT 30 JUNE 2018

	Notes	2018 \$'000	2017 \$'000
ASSETS			
Financial assets			
Cash and deposits	6.2	5,931	4,924
Investments and other financial assets	4.2	28,000	33,000
Receivables	5.1	7,195	6,380
Total financial assets		41,126	44,304
Non-financial assets			
Inventories	5.2	2,268	2,290
Property, plant and equipment	4.1	964,524	929,601
Other non-financial assets	5.3	32,872	28,707
Total non-financial assets		999,664	960,598
TOTAL ASSETS		1,040,790	1,004,902
LIABILITIES			
Payables	5.4	11,116	6,975
Borrowings	6.1	287,065	281,590
Provisions	3.1.3	4,057	3,780
Other liabilities	5.5	17,029	13,143
TOTAL LIABILITIES		319,267	305,488
NET ASSETS		721,523	699,414
EQUITY			
Accumulated surplus/(deficit)		(159,528)	(139,949)
Physical asset revaluation surplus	8.3	457,830	416,142
Contributed capital		423,221	423,221
NET WORTH		721,523	699,414

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Notes	2018 \$'000	2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from customers		89,451	87,772
Interest received		730	851
Total receipts		90,181	88,623
Payments			
Payments to suppliers and employees		(74,696)	(73,556)
Goods and Services Tax paid to the Australian Taxation Office ^(a)		(4,757)	(4,664)
Total payments		(79,453)	(78,220)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	6.2.1	10,728	10,403
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of non-financial assets		(9,552)	(7,495)
Sales of non-financial assets		4	12
Transfers from/(to) investments		5,000	3,000
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		(4,548)	(4,483)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid on borrowings		(5,173)	(7,475)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		(5,173)	(7,475)
Net increase/(decrease) in cash and deposits		1,007	(1,555)
Cash and deposits at beginning of financial year		4,924	6,479
CASH AND DEPOSITS AT END OF FINANCIAL YEAR	6.2	5,931	4,924

The accompanying notes form part of these financial statements.

(a) Goods and Services Tax paid to the ATO is presented on a net basis.

FINANCIAL STATEMENTS
CONTINUED

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Notes	Physical asset revaluation surplus \$'000	Accumulated deficit \$'000	Contributions by owner \$'000	Total \$'000
Balance at 1 July 2016		416,142	(125,648)	423,221	713,715
Net result for the year		-	(14,301)	-	(14,301)
Balance at 30 June 2017		416,142	(139,949)	423,221	699,414
Net result for the year		-	(19,579)	-	(19,579)
Other comprehensive income for the year	8.3	41,688	-	-	41,688
Balance at 30 June 2018		457,830	(159,528)	423,221	721,523

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ABOUT THIS REPORT

The Melbourne Convention and Exhibition Trust (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

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

Basis of preparation

These financial statements are presented in Australian dollars and the historical cost convention is used unless a different measurement basis is specially disclosed in the note associated with the item.

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.

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. Other transfers that are in the nature of contributions to or distribution by owners have also been designated as contributions by owners.

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in applying Australian Accounting Standards (AAS) that have significant effects on the financial statements and estimates are disclosed in the notes.

All amounts in the financial statements have been rounded to the nearest \$1,000 unless otherwise stated.

Compliance information

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable 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.

FINANCIAL STATEMENTS CONTINUED

2. FUNDING DELIVERY OF OUR SERVICES

The Trust's objective is to provide incredible spaces, leading technology and award-winning food. To enable the Trust to fulfil its objectives and provide outputs, it derives income from venue hire, technology services, food and beverage and event-related services.

2.1 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.

2.1.1 Income from sale of goods and services

	2018 \$'000	2017 \$'000
Rendering of services	49,353	51,010
Sales of goods	29,334	30,504
Total sales of goods and services	78,687	81,514

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

2.1.2. Grants

	2018 \$'000	2017 \$'000
Asset lifecycle replacement	5,499	5,365
Total grants	5,499	5,365

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

3. THE COST OF DELIVERING SERVICES

This section provides an account of the expenses incurred by the Trust in delivering services and outputs.

3.1 Expenses incurred in the delivery of services

3.1.1 Supplies and services

	2018 \$'000	2017 \$'000
Purchase of supplies and services	22,664	23,562
Cost of goods sold	7,972	8,408
Maintenance	3,846	3,860
Total supplies and services	34,482	35,830

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

3.1.2 Employee expenses in the comprehensive operating statement

	2018 \$'000	2017 \$'000
Defined contribution superannuation expense	3,037	2,803
Salaries and wages, annual leave and long service leave	36,184	33,548
Termination benefits	129	68
Total employee expenses	39,350	36,419

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

The amount recognised in the comprehensive operating statement in relation to superannuation is employer contributions for members of defined contribution superannuation plans.

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.

3.1.3 Employee benefits in the balance sheet

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

	2018	2017
	\$'000	\$'000
Current provisions:		
Annual leave		
Unconditional and expected to be settled within 12 months	967	868
Unconditional and expected to be settled after 12 months	17	-
Long service leave		
Unconditional and expected to be settled within 12 months	87	79
Unconditional and expected to be settled after 12 months	1,571	1,362
Provisions for on-costs		
Unconditional and expected to settle within 12 months	160	142
Unconditional and expected to settle after 12 months	242	204
Total current provisions	3,044	2,655
Non-current provisions:		
Long service leave		
Employee benefits	879	978
On-costs	134	147
Total non-current provisions	1,013	1,125
Total provisions	4,057	3,780

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

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

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

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

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

FINANCIAL STATEMENTS CONTINUED

Unconditional LSL is disclosed 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:

- undiscounted 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.

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

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

3.1.4 Superannuation contributions

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

Superannuation contributions paid or payable 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	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Host Plus Superannuation Fund	1,557	1,567	77	-
Australian Super	626	665	24	-
ASGARD Corporate Superannuation Fund	48	63	-	-
Others	701	564	18	-
Total	2,932	2,859	119	-

3.1.5 Other operating expenses

	2018 \$'000	2017 \$'000
Operating lease expenses	525	520
Bad debts from transactions	(4)	(35)
Total other operating expenses	521	485

Included in other operating expenses are:

- operating lease payments which are recognised on a straight line basis over the lease term; and
- bad debts from transactions which are written off when identified.

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

The Trust controls infrastructure and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the resources that have been entrusted to the Trust to be utilised for delivery of those outputs.

4.1 Total property plant and equipment

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Land at fair value	339,458	297,770	-	-	339,458	297,770
Buildings at fair value	630,145	626,097	(32,972)	(16,373)	597,173	609,724
Plant and equipment at fair value	43,900	42,944	(33,615)	(31,833)	10,285	11,111
Work in progress at cost	13,982	7,317	-	-	13,982	7,317
Infrastructure at fair value	2,640	2,640	(106)	(53)	2,534	2,587
Cultural assets at fair value	1,092	1,092	-	-	1,092	1,092
Net carrying amount	1,031,217	977,860	(66,693)	(48,259)	964,524	929,601

4.1.1 Reconciliation of movements in carrying amount of property, plant and equipment

	Land \$'000	Buildings \$'000	Plant & equipment \$'000	Work in progress \$'000	Infrastructure assets \$'000	Cultural assets \$'000	Total \$'000
Year ended 30 June 2018							
Opening balance	297,770	609,724	11,111	7,317	2,587	1,092	929,601
Additions	-	-	68	12,599	-	-	12,667
Transfers	-	4,048	1,886	(5,934)	-	-	-
Disposals	-	-	(80)	-	-	-	(80)
Revaluations	41,688	-	-	-	-	-	41,688
Depreciation	-	(16,599)	(2,700)	-	(53)	-	(19,352)
Closing balance	339,458	597,173	10,285	13,982	2,534	1,092	964,524
Year ended 30 June 2017							
Opening balance	297,770	622,920	9,709	6,183	2,640	1,092	940,314
Additions	-	37	212	7,962	-	-	8,211
Transfers	-	3,140	3,688	(6,828)	-	-	-
Disposals	-	-	(7)	-	-	-	(7)
Depreciation	-	(16,373)	(2,491)	-	(53)	-	(18,917)
Closing balance	297,770	609,724	11,111	7,317	2,587	1,092	929,601

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. All of the Trust's property, plant and equipment are classified in the purpose group 'public safety and environment'.

All other details in relation to property plant and equipment are included at Note 7.3.

FINANCIAL STATEMENTS CONTINUED

4.1.2 Depreciation

	2018	2017
	\$'000	\$'000
Infrastructure	53	53
Buildings	16,599	16,373
Plant and equipment	2,700	2,491
Total depreciation	19,352	18,917

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	15 - 50 years
Infrastructure assets	50 years
Plant and equipment	1 - 30 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.

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

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

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

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

4.2 Investments and other financial assets

	2018	2017
	\$'000	\$'000
Current		
Term deposits	28,000	33,000
Total investments	28,000	33,000

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

4.2.1 Ageing analysis of investments and other financial assets

	Carrying amount	Maturity date			
		Less than 1 month	1-3 months	3 months - 1 year	1-5 years
	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2018					
Term deposits	28,000	-	-	28,000	-
	28,000	-	-	28,000	-
30 June 2017					
Term deposits	33,000	-	-	33,000	-
	33,000	-	-	33,000	-

5. OTHER ASSETS AND LIABILITIES

This section sets out those assets and liabilities that arose from the Trust's controlled operations.

5.1 Receivables

	2018	2017
	\$'000	\$'000
Current		
Contractual		
Receivables	7,032	5,995
Provision for doubtful debts	-	(16)
Amounts owing from Victorian Government	163	401
Total receivables	7,195	6,380

Receivables include debtors in relation to goods and services and accrued investment income.

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

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments.

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

FINANCIAL STATEMENTS CONTINUED

5.1.1 Movement in the provision for doubtful debts

	2018 \$'000	2017 \$'000
Balance at beginning of the year	(16)	(63)
Decrease in provision due to transfers out	16	47
Amounts written off during the year as uncollectable	-	16
Increase in provision recognised in the net result	-	(16)
Balance at end of the year	-	(16)

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

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

Bad debts considered as written off by mutual consent are classified as a transaction expense.

5.1.2 Ageing analysis of contractual financial assets

	Carrying amount \$'000	Not past due and not impaired \$'000	Past due but not impaired			
			Less than 1 month \$'000	1-3 months \$'000	3 months - 1 year \$'000	1-5 years \$'000
30 June 2018						
Receivables	7,195	4,756	1,873	471	94	1
	7,195	4,756	1,873	471	94	1
30 June 2017						
Receivables	6,380	3,769	1,921	453	237	-
	6,380	3,769	1,921	453	237	-

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.

5.2 Inventories

	2018 \$'000	2017 \$'000
Current		
Inventories at cost	643	624
Service equipment at cost	1,625	1,666
Total inventories	2,268	2,290

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.

5.3 Other non-financial assets

	2018 \$'000	2017 \$'000
Current		
Prepayments	1,406	831
	1,406	831
Non-current		
Capital replacement receivable	31,466	27,876
	31,466	27,876
Total other non-financial assets	32,872	28,707

Other non-financial assets include:

- prepayments, which represent payments in advance of receipt of goods or services or expenditure made in one accounting period covering a term extending beyond that period; and
- capital replacement receivable, which recognises the asset life cycle replacement grant in accordance with an agreed schedule over the life of the project.

5.4 Payables

	2018 \$'000	2017 \$'000
Current		
Contractual		
Supplies and services	4,831	3,965
Amounts payable to government and agencies	3,834	1,165
Other payables	1,278	972
	9,943	6,102
Statutory		
FBT payable	93	98
GST payable	144	599
State Revenue Office - payroll tax payable	212	102
State Revenue Office - congestion levy payable	724	74
	1,173	873
Total payables	11,116	6,975

Payables consist of:

- contractual payables, these are classified as financial instruments and measured at amortised cost. They 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, these are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

Payables for supplies and services have an average credit period of 30 days. Payables are generally paid within the payment period thereby avoiding any interest charges that may be charged on late payments.

Terms and conditions of amounts payable to other Government agencies vary according to particular agreements with those agencies.

FINANCIAL STATEMENTS CONTINUED

5.4.1 Maturity analysis of contractual payables

	Carrying amount \$'000	Nominal amount \$'000	Maturity dates		
			Less than 1 month \$'000	1-3 months \$'000	3 months - 1 year \$'000
30 June 2018					
Supplies and services	4,831	4,831	3,137	1,372	322
Amounts payable to government and agencies	3,834	3,834	3,834	-	-
Other payables	1,278	1,278	1,278	-	-
	9,943	9,943	8,249	1,372	322
30 June 2017					
Supplies and services	3,965	3,965	2,820	128	1,017
Amounts payable to government and agencies	1,165	1,165	1,165	-	-
Other payables	972	972	972	-	-
	6,102	6,102	4,957	128	1,017

The maturity analysis is presented using the contractual undiscounted cash flows.

5.5 Other liabilities

	2018 \$'000	2017 \$'000
Current		
Income received in advance	23	23
Deposits held against future bookings	17,006	13,120
Total other liabilities	17,029	13,143

Other liabilities include:

- deposits held against future bookings which represent funds held on behalf of customers until the completion of an event; and
- income received in advance.

6. HOW WE FINANCED OUR OPERATIONS

This section provides information on the sources of finance utilised by the Trust during its operations, along with interest expenses and other information related to financing activities of the Trust. This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances).

6.1 Borrowings

	2018	2017
	\$'000	\$'000
Current		
Loan from Government	5,370	5,173
	5,370	5,173
Non-current		
Loan from Government	281,695	276,417
	281,695	276,417
Total borrowings	287,065	281,590

Borrowings refer to interest bearing liabilities.

Borrowings are classified as financial instruments and 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.

The Convention Centre was financed in the form of a loan with the Department of Economic Development, Jobs, Transport and Resources (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 4 August 2016, a Memorandum of Understanding (MOU) issued by DEDJTR was approved by the Trust. This agreement sets out arrangements relating to the expansion of the Melbourne Convention and Exhibition Centre. In particular, it deals with project implementation, the Trust's financial commitments to the project, and amendments to the Loan Agreement. The MOU varied 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; and
- iv. the Trust 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.

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

FINANCIAL STATEMENTS CONTINUED

6.1.1 Maturity analysis of borrowings

	Carrying amount \$'000	Nominal amount \$'000	Maturity dates				
			Less than 1 month \$'000	1-3 months \$'000	3 months - 1 year \$'000	1-5 years \$'000	5+ years \$'000
30 June 2018							
Loan from DEDJTR	287,065	420,572	-	5,370	-	60,110	355,092
	287,065	420,572	-	5,370	-	60,110	355,092
30 June 2017							
Loan from DEDJTR	281,590	425,745	-	5,173	-	44,038	376,534
	281,590	425,745	-	5,173	-	44,038	376,534

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

6.1.2 Interest expense

	2018 \$'000	2017 \$'000
Interest on Government loan	10,648	10,467
Total interest expense	10,648	10,467

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

6.2 Cash flow information and balances

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

	2018 \$'000	2017 \$'000
Cash on hand	71	81
Cash at bank	5,860	4,843
Balance as per cash flow statement	5,931	4,924

Due to the Trust's investment policy and funding arrangements, the Trust does not hold a large cash reserve in its bank accounts.

6.2.1 Reconciliation of cash and cash equivalents

	2018 \$'000	2017 \$'000
Net result for the period	(19,579)	(14,301)
Non-cash movements		
Depreciation of non-current assets	19,352	18,917
Write-back of service equipment	41	48
(Gain)/loss on sale or disposal of non-financial assets	75	(6)
Capital replacement receivable and lifecycle expenses	(3,996)	(3,388)
Movements included in investing and financing activities		
Interest on Government loan	10,648	10,467
Net change in assets and liabilities		
(Increase)/decrease in current receivables	(815)	(1,973)
(Increase)/decrease in current inventories	(19)	(131)
(Increase)/decrease in other current assets	(576)	795
(Decrease)/increase in current payables	1,436	(259)
(Decrease)/increase in current provisions	390	342
(Decrease)/increase in other current liabilities	3,883	23
(Decrease)/increase in non-current provisions	(112)	(131)
Net cash flows from/(used in) operating activities	10,728	10,403

6.3 Commitments for expenditure

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

6.3.1 Total commitments payable

	Less than 1 year \$'000	1-5 years \$'000	5+ years \$'000	Total \$'000
2018				
Capital expenditure commitments payable	15,000	-	-	15,000
Operating lease commitments payable	466	486	-	952
Other commitments payable	3,467	15,055	50,693	69,215
Total commitments (inclusive of GST)	18,933	15,541	50,693	85,167
Less GST recoverable from Australian Tax Office				(7,742)
Total commitments (exclusive of GST)				77,425

FINANCIAL STATEMENTS CONTINUED

2017	Less than 1 year \$'000	1-5 years \$'000	5+ years \$'000	Total \$'000
Capital expenditure commitments payable	20,000	-	-	20,000
Operating lease commitments payable	497	507	-	1,004
Other commitments payable	-	16,374	90,575	106,949
Total commitments (inclusive of GST)	20,497	16,881	90,575	127,953
Less GST recoverable from Australian Tax Office				(11,632)
Total commitments (exclusive of GST)				116,321

Amounts disclosed in capital expenditure and other commitments relate to the financial commitments payable relating to the expansion of the Melbourne Convention and Exhibition Centre including the facility management costs as outlined in the Project Agreement.

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 review.

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.

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

The Trust is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the Trust relates mainly to fair value determination.

7.1 Financial instruments specific disclosures

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.

Categories of financial instruments

- Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). The Trust recognises the following assets in this category:
 - cash and deposits
 - receivables (excluding statutory receivables); and
 - term deposits
- Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method. The Trust recognises the following liabilities in this category:
 - payables (excluding statutory payables); and
 - borrowings

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the assets have expired
- the Trust retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Trust has transferred its right to receive cash flows from the asset and either:
 - has transferred substantially all the risks and reward of the asset; or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Trust has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Trust's continuing involvement in the asset.

Impairment of financial assets

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

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

Reclassification of financial instruments

Subsequent to initial recognition and under rare circumstances, non-derivative financial instrument assets that have not been designated at fair value through profit or loss upon recognition, may be reclassified out of the fair value through profit or loss category, if they are no longer held for the purpose of selling or repurchasing in the near term.

Financial instrument assets that meet the definition of loans and receivables may be reclassified out of the fair value through profit and loss category into the loans and receivables category, where they would have met the definition of loans and receivables had they not been required to be classified as fair value through profit and loss. In these cases, the financial instrument assets may be reclassified out of the fair value through profit and loss category, if there is the intention and ability to hold them for the foreseeable future or until maturity.

Available-for-sale financial instrument assets that meet the definition of loans and receivables may be reclassified into the loans and receivables category if there is the intention and ability to hold them for the foreseeable future or until maturity.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement.

FINANCIAL STATEMENTS CONTINUED

7.1.1 Categorisation of financial instruments

	Contractual financial assets - loans and receivables	Contractual financial liabilities - at amortised cost
	\$'000	\$'000
2018		
Financial assets		
Cash and deposits	5,931	-
Investments and other financial assets	28,000	-
Receivables	7,195	-
	41,126	-
Financial liabilities		
Payables	-	9,943
Borrowings	-	287,065
	-	297,008
2017		
Financial assets		
Cash and deposits	4,924	-
Investments and other financial assets	33,000	-
Receivables	6,380	-
	44,304	-
Financial liabilities		
Payables	-	6,102
Borrowings	-	281,590
	-	287,692

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

Financial risk management objectives and process

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

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

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

The Trust's main financial risks include credit risk, liquidity risk and market risk.

(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 for impairment of 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 and default payments.

There has been no material change to the Trust's credit risk profile in 2017/18.

(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.

(c) Market risk

The Trust's exposure to market risk is primarily through interest rate risk.

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The 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 flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust has minimal exposure to cash flow interest rate risks through cash and deposits and term deposits. Cash on term deposit is held with Treasury Corporation of Victoria.

FINANCIAL STATEMENTS CONTINUED

7.1.2 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
2018					
Financial assets					
Cash and deposits	1.50	5,931	-	5,860	71
Investments	2.11	28,000	-	28,000	-
Receivables ^(a)	-	7,195	-	-	7,195
		41,126	-	33,860	7,266
Financial liabilities					
Payables ^(a)	-	9,943	-	-	9,943
Borrowings	3.78	287,065	287,065	-	-
		297,008	287,065	-	9,943
2017					
Financial assets					
Cash and deposits	1.48	4,924	-	4,924	-
Investments	2.02	33,000	-	33,000	-
Receivables	-	6,380	-	-	6,380
		44,304	-	37,924	6,380
Financial liabilities					
Payables	-	6,102	-	-	6,102
Borrowings	3.78	281,590	281,590	-	-
		287,692	281,590	-	6,102

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

7.2 Contingent assets and contingent liabilities

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

The Trust has no contingent assets or contingent liabilities to disclose at the date of this report (2017: \$0 million).

7.3 Fair value determination

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

This section sets out information on how the Trust determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Land, buildings, infrastructure, plant and equipment are carried at fair value.

The Trust determines the policies and procedures for determining fair values for both financial and non-financial assets and liabilities as required.

Fair value hierarchy

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

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

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

The Valuer-General Victoria (VGV) is 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.

7.3.1 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
Year ended 30 June 2018				
Land at fair value				
Specialised land	323,395	-	-	323,395
Non-specialised land	16,063	-	16,063	-
Total of land at fair value	339,458	-	16,063	323,395
Buildings at fair value				
Specialised buildings	597,173	-	-	597,173
Total of buildings at fair value	597,173	-	-	597,173
Plant and equipment at fair value				
Plant and equipment	10,285	-	-	10,285
Total of plant and equipment at fair value	10,285	-	-	10,285
Cultural assets at fair value				
Artworks	1,092	-	1,092	-
Total of cultural assets at fair value	1,092	-	1,092	-
Infrastructure at fair value				
Bridge	2,534	-	-	2,534
Total of infrastructure assets at fair value	2,534	-	-	2,534

FINANCIAL STATEMENTS CONTINUED

	Carrying amount \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Year ended 30 June 2017				
Land at fair value				
Specialised land	283,680	-	-	283,680
Non-specialised land	14,090	-	14,090	-
Total of land at fair value	297,770	-	14,090	283,680
Buildings at fair value				
Specialised buildings	609,724	-	-	609,724
Total of buildings at fair value	609,724	-	-	609,724
Plant and equipment at fair value				
Plant and equipment	11,111	-	-	11,111
Total of plant and equipment at fair value	11,111	-	-	11,111
Cultural assets at fair value				
Artworks	1,092	-	1,092	-
Total of cultural assets at fair value	1,092	-	1,092	-
Infrastructure at fair value				
Bridge	2,587	-	-	2,587
Total of infrastructure assets at fair value	2,587	-	-	2,587

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2018. For all assets measured at fair value, the current use is considered the highest and best use.

Land, Buildings and Infrastructure

Non-specialised land is valued using the market approach, whereby assets are compared to recent comparable sales or sales of comparable assets that are considered to have nominal value.

Specialised land is valued using the market approach, and is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued. The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants.

Independent valuations of the Melbourne Convention and Exhibition Centre'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. 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.

A fair value assessment was undertaken using the compounded impact of the Valuer-General Victoria indices for the year ended 30 June 2018. It was determined that the movement in fair value for buildings was less than 10 per cent and as such a managerial revaluation was not required. The movement in the fair value of land was assessed to have increased by 14 per cent cumulatively over a two year period, resulting in a managerial revaluation.

Cultural Assets

Cultural assets valuation is determined by a comparison to similar examples of the artist's work in existence throughout Australia and research on recent prices paid for similar examples offered at auction or through art galleries. No revaluation was performed for artwork for the financial period ending at 30 June 2018.

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

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

They are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use.

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.

7.3.2 Reconciliation of Level 3 fair value

	Plant and equipment \$'000	Buildings \$'000	Land \$'000	Infrastructure Assets \$'000
Year ended 30 June 2018				
Opening balance	11,111	609,724	283,680	2,587
Purchases (sales)	1,874	4,048	-	-
Depreciation	(2,700)	(16,599)	-	(53)
Subtotal	10,285	597,173	283,680	2,534
Revaluation	-	-	39,715	-
Closing balance	10,285	597,173	323,395	2,534
Year ended 30 June 2017				
Opening balance	9,709	622,920	283,680	2,640
Purchases (sales)	3,893	3,177	-	-
Depreciation	(2,491)	(16,373)	-	(53)
Subtotal	11,111	609,724	283,680	2,587
Revaluation	-	-	-	-
Closing balance	11,111	609,724	283,680	2,587

7.3.3 Description of significant unobservable inputs to level 3 valuations

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

FINANCIAL STATEMENTS CONTINUED

8. OTHER DISCLOSURES

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

8.1 Ex gratia expenses

	2018	2017
	\$'000	\$'000
Forgiveness or waiver of debt	7	16
Total ex gratia expenses	7	16

Ex gratia expenses include bad debts greater than or equal to \$5,000 that have been written off.

8.2 Other economic flows included in net result

	2018	2017
	\$'000	\$'000
(a) Net gain/(loss) on non-financial assets		
Net gain/(loss) on disposal of property plant and equipment	(75)	6
Write down of inventory	(41)	(48)
Total net gain/(loss) on non-financial assets	(116)	(42)
(b) Other gains/(losses) from other economic flows		
Net gain/(loss) arising from movement in long service leave liability	(3)	143
Total other gains/(losses) from other economic flows	(3)	143

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

- 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.
- Other gains/(losses) from other economic flows
This includes the revaluation of the present value of the long service leave liability due to changes in the bond interest rates.

8.3 Asset revaluation reserve

	2018	2017
	\$'000	\$'000
Balance at beginning of the year	416,142	416,142
Revaluation increments/(decrements)	41,688	-
Balance at end of the year	457,830	416,142

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

8.4 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.

The persons who held the positions of responsible persons for the Trust are as follows:

Minster for Tourism and Major Events	The Hon. John Eren MP	1 July 2017 to 30 June 2018
Chairperson - Governing Board	Mr Robert Annells PSM	1 July 2017 to 10 August 2017
Chairperson - Governing Board	The Hon. John Brumby AO	11 August 2017 to 30 June 2018
Governing Board	Ms Yvonne von Hartel AM	1 July 2017 to 21 June 2018
Governing Board	Ms Marie Jackson	1 July 2017 to 30 June 2018
Governing Board	Ms Sam Andersen	1 July 2017 to 30 June 2018
Governing Board	Mr Jonathan Metcalfe	1 July 2017 to 30 June 2018
Governing Board	Mr Matthew Mills	1 July 2017 to 30 June 2018
Governing Board	Ms Paula Benson	1 July 2017 to 30 June 2018
Chief Executive	Mr Peter King	1 July 2017 to 30 June 2018

Remuneration received or receivable by the Accountable Officer in connection with the management of the Trust during the reporting period was in the range: \$530,000 - \$539,999 (2017: \$510,000 - \$519,999).

The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report.

8.5 Remuneration of executives

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

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

- Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.
- Other long-term benefits include long service leave, other long service benefits or deferred compensation.
- Termination benefits include termination of employment payments, such as severance packages.
- Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

	Total Remuneration	
	2018	2017
	\$'000	\$'000
Remuneration of executive officers		
Short-term employee benefits	2,561	2,116
Post-employment benefits	194	165
Other long-term benefits	63	50
Termination benefits	-	49
Total remuneration	2,818	2,380
Total number of executives	11	11
Total annualised employee equivalents^(a)	10.78	9.13

(a) Annualised employee equivalent is based on the time fraction worked over the reporting period.

FINANCIAL STATEMENTS CONTINUED

8.6 Related parties

Related parties of the Trust include:

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

All related party transactions have been negotiated on commercial terms. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

8.6.1 Significant transactions and balances with government-related entities

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

Outside of normal citizen type transactions with the Trust, during the year, the Trust engaged in the following government-related entity transactions:

- Victorian Government entities booked and hosted events at the Centre, the table outlines entities that generated more than \$100,000 in revenue for the Trust:

Government Entity	2018 \$
Department of Education and Training	1,527,177
Department of Premier and Cabinet	241,709
Victorian Multicultural Commission	215,765
Department of Health and Human Services	186,741
Worksafe Victoria	156,483
Victoria Police	147,888
Total	2,475,763

There were 26 Victorian Government entities that hosted events or used the Centre's services with revenue individually less than \$100,000. In aggregate the revenue from these transactions totalled \$715,727.

- At financial year end there was \$162,775 owing from Victorian Government entities as reported in Note 5.1 Receivables. This balance is owed by 15 different entities.
- The Trust has received services from the following Victorian Government entities:

DEDJTR

Transactions with DEDJTR total \$9,672,303, these relate to:

- Event cleaning (\$2,890,201)
- Reviewable services (\$808,401) – quarterly service payment for cleaning and security services per the MCCD Project Agreement.
- State initiated modifications (\$683,035) – costs associated with an increase to the quarterly service payment due to purchase and installation of infrastructure and equipment that has ongoing lifecycle and maintenance costs
- Costs associated with the expanded facility including, fixtures, furniture and equipment (FFE) (\$5.0 million), facility management costs (\$236,933) and insurance (\$53,733)

Total amount payable to DEDJTR at financial year end totalled \$3,529,125.

Victorian Managed Insurance Authority (VMIA)

Transactions with VMIA total \$264,923 and relate to the Trust's insurance policies. Total amount payable to VMIA at financial year end totalled \$256,929.

8.6.2 Key management personnel

Key management personnel of the Trust includes all responsible persons as outlined in Note 8.4 and members of the Executive Team, which include:

- Chief Operating Officer, Leighton Wood
- Chief Financial Officer, Geoff Stephens
- Director of Customer Experience and Optimisation, Anne Jamieson
- Director of Strategy and Innovation, Michael Walsh (resigned, last day 29 March 2018)
- Director of Corporate Services, Barbara Adams
- Director of People and Culture, Helen Fairclough

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives.

Compensation of KMPs	2018	2017
	\$'000	\$'000
Short-term employee benefits	2,366	2,275
Post-employment benefits	155	154
Other long-term benefits	62	58
Total ^(a)	2,583	2,487

(a) The KMPs are also reported in the disclosure of remuneration of executive officers (Note 8.5).

8.6.3 Transactions and balances with key management personnel

The following related party transactions involved key management personnel, their close family members and their personal business interests.

Chief Executive - Peter King

Peter King is a Board Member of the Melbourne Convention Bureau (MCB). MCB plays a key role in securing international conventions for Melbourne. The Trust contributed \$1,783,476 to MCB (2017: \$1,762,355).

MCB also transacted with the Trust \$16,122 (2017: \$24,637) for sponsorship and events held at the venue.

8.7 Remuneration of auditors

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

	2018	2017
	\$'000	\$'000
Payable as at 30 June	48	47
Total	48	47

The Victorian Auditor-General's Office is not allowed to provide non-audit services.

8.8 Subsequent events

After balance date on 13 July 2018 Commercial Acceptance of the Melbourne Exhibition Centre Expansion (the Expansion) was executed. The Expansion adds 20,000 square metres of flexible space to the existing facilities with the objective to optimise Melbourne's position as a leading business events destination. The Trust has been appointed by the State as the Operator of the facilities and is required to carry out the core services in accordance with the MECE Project Agreement executed and signed on 28 May 2016. In accordance with the Project Agreement the operations commencement date is the date immediately following the Commercial Acceptance date.

An Allocation Statement to transfer the buildings and property, plant and equipment to the Trust will be issued from DEDJTR, after which these expansion assets will be recorded as Trust assets as at the Commercial Acceptance date. Consequently, the expansion assets will be reported in the financial statements of the Trust in the year ending 30 June 2019.

At the date of certification of these financial statements, an Allocation Statement from the Secretary of DEDJTR remains pending.

FINANCIAL STATEMENTS CONTINUED

8.9 Other accounting policies

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

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

Foreign currency balances/transactions

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.

8.10 Australian Accounting Standards that are not yet effective

As at 30 June 2018, 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 Financial Instruments	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. While there will be no significant impact arising from AASB 9, there will be a change to the way financial instruments are disclosed.
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2019	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.
AASB 16 Leases	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	The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase. Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.
AASB 1058 Income of Not-for-Profit Entities	This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable a not-for-profit entity to further its objectives.	1 Jan 2019	The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.

8.11 Glossary of technical terms

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

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, fringe benefits tax, 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; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

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

FINANCIAL STATEMENTS CONTINUED

Financial statements

A complete set of financial statements comprising:

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

Operating result

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

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.

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.

Work in progress

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

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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