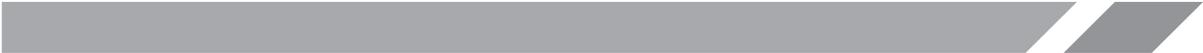




Melbourne Convention
and Exhibition Trust

ANNUAL REPORT 2013-2014



Melbourne Convention and Exhibition Trust

**ANNUAL REPORT
2013-2014**



Melbourne Convention and Exhibition Trust

1 Convention Centre Place,
South Wharf VIC 3006
Australia

T +613 9235 8000

F +613 9235 8001

ABN 17 434 286 169

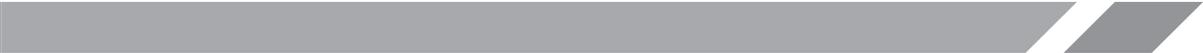
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CHAIRPERSON'S FOREWORD



Chairperson's Foreword

I am pleased to provide the annual report of the operations and audited financial statements of Melbourne Convention and Exhibition Trust (the Trust) for the year ended 30 June 2014.

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

Performance for the 2013/2014 financial year of the Centre was heavily influenced by the following:

- increased competition from local, national and international venues and destinations;
- a challenging economic environment, particularly the limited economic recovery, which continues to impact the business events industry;
- the opportunity and necessity to diversify the types of events conducted in the Centre, with the consequential opportunity to generate new revenue streams; and
- changing customer and visitor expectations.

The Centre recorded its highest revenue in history with \$72 million in operating revenue, a \$4.2 million increase on 2012/13. The largest revenue growth was in technology services (\$1.6 million, 15.8 per cent), Convention Centre venue hire (\$1.1 million, 10 per cent) and public catering (\$0.6 million, 19.1 per cent).

Over the last 12 months 1030 events were held in the Centre. These events attracted 680,955 delegates, including 21 international conventions which attracted 31,079 delegates and 57 national conventions which attracted 40,241 delegates for conferences, and conferences and exhibitions.

The exhibition market had a very strong year at the Centre with 77 exhibitions held, 13 per cent up on last year.

Our smaller meeting and events market contributed \$6.8 million in short term business and continued to provide good growth for the Centre.

A selection of events held at the Centre in 2013/14 included:

- Telstra Enterprise and Government Sales Kick Off 2013;
- Australian Physiotherapy Association Conference 2013;
- Woolworths National Conference 2013;
- Melbourne Boat Show 2014;
- AMP Annual Convention 2014;
- Mrs. Brown Rides Again starring Mrs. Brown's Boys;
- 16th Steadfast Convention 2014; and
- Australasian College of Dermatologists' 47th Annual Scientific Meeting 2014.

The Centre recorded a positive result pre-depreciation and interest expense of \$15 million compared to \$15.8 million in 2012/13. Depreciation and interest charges in relation to the loan entered into as part of the financing arrangements for the Convention Centre totalled \$33.6 million, resulting in a net deficit of \$18.6 million.

The Centre generated net cash flows from operating activities of \$14 million and continued to invest in refurbishing facilities in the Exhibition Centre and upgrading technology throughout the Centre.

The Trust invested \$5.8 million on capital works to respond to trends and competition within our industry across all asset classes. This included significant investment in digital infrastructure technology.

The Trust also invested in both people and processes in the areas of safety, procurement and inventory management, which has resulted in cost efficiencies, better supplier control and a reduction in injuries among employees, contractors and the public.

Australia has a highly competitive business events market, with significant infrastructure investment in Adelaide and Sydney. Brisbane completed a \$140 million upgrade, and of particular threat to Melbourne is the \$1.1 billion investment in the new International Convention Centre Sydney which is due to reopen in 2017.

Major infrastructure investment in the Middle East is ongoing, including large facilities completed in Dubai and Abu Dhabi. The Centre is increasingly competing with this region for international business. The Doha Convention Centre is now open and work has commenced on the Oman Convention and Exhibition Centre. Korea, Singapore, Macau, China and Malaysia are all major players within the business events industry with governments providing event subsidies.

Despite the increasingly competitive marketplace, the Centre is recognised globally for its excellence in event delivery and in 2013/14 hosted some of the largest medical conferences in the world including the World Diabetes Congress; the International Congress of the World Federation of Haemophilia; and the World Cardiology Congress. The biggest challenge for the Centre today is trying to accommodate our customers' future events. During 2013/14 the Centre turned away new business opportunities, equivalent to 19.5 per cent of capacity due to the unavailability of suitable space.

The Trust has introduced strategies to strengthen customer relationships including the introduction of key account managers to ensure it builds repeat business. The Centre has also implemented a process improvement initiative called "blueprint" to streamline the customer experience and manage expectations in the event planning and delivery phases. Our customer satisfaction rating is just over 85 per cent and the Trust is committed to ongoing quality service, ongoing improvement and a continuing upward trend in the satisfaction rating of its customers.

The Centre continues to work closely with the Melbourne Convention Bureau (MCB) to attract new international business. In August 2013, following consultation with Club Melbourne Ambassadors, the MCB and the Victorian State Government, the Club Melbourne Ambassador Program was relaunched to address international competition and deliver new business opportunities to Melbourne and Victoria. In 2013/14, 21 international conventions took place at the Centre. This generated 14 per cent of the Centre's total revenue but more importantly had a positive economic impact of \$152 million for the State.

Significant international business events held in 2013/14 included:

- World Diabetes Congress;
- International Congress of the World Federation of Hemophilia;
- World Congress of Cardiology;
- The 27th International Pediatric Association Congress of Pediatrics;
- International Geoscience and Remote Sensing Symposium; and
- International Lactation Consultant Association Conference and Annual Meeting.

The ongoing focus on providing a culture that employees can embrace with pride was a continued focus for the Centre in 2013/14. The employee-driven organisation-wide culture program "unity" is built around a set of guiding principles created by employees. It has enabled the Centre to maintain its delivery of successful event experiences for its customers and the Trust will continue to invest in "unity" through inductions, training, ongoing support of personal development and reward and recognition. Regular employee and customer surveys will be undertaken to monitor the success of "unity".

The Centre is continuing to enhance its engagement with the local community through the ongoing hosting of its Open Space event and continuing to showcase Victorian farmers, producers and wineries. In 2013/14 many community and cultural events were supported along with a number of charity organisations including Variety, The Royal Children's Hospital and the Starlight Children's Foundation.

For the first time the Centre hosted The Royal Children's Hospital Good Friday Appeal, which was the largest community event ever held at the Centre with more than 60,000 Victorians attending the day and raising more than \$16 million dollars for the Appeal. The Centre provided the space for the annual fundraising event, opened its doors to the public and showcased the Centre's commitment to the local community.

Over the past 12 months, the Centre has been successful in winning many awards for excellence, business development, technology, in-house catering and business tourism.

Examples of awards won by the Centre include:

- 2013 National Meetings and Events Australia Awards
 - Banqueting and Catering
 - In-house AV Services
- 2013 Victorian Meetings and Events Australia Awards
 - Meeting venue 500 delegates or more
 - Banqueting and Catering
 - In-house AV Services
 - Business Development Person of the Year
- 2013 Victorian Tourism Awards – Business Tourism
- 2013 World Travel Awards – Australasia's Leading Meetings and Conference Centre
- 2013 Digital Screenmedia Association Industry Excellence Awards – Best Government Deployment - Digital Signage

The Centre is a wonderful community asset, a world class venue, and delivers an important economic return back to Victoria.

I would like to take this opportunity to thank my fellow Trustees for their contribution during 2013/14. There have been a number of significant challenges facing the Trust during the last 12 months and the hard work and dedication of all Trustees has been much appreciated.

Above all, on behalf of all my fellow Trustees, I would like to recognise and commend the efforts of the Centre's Chief Executive Peter King, our senior management and all employees for their tremendous commitment and exemplary performance. This has been a record year in many respects and the way in which every challenge has been met and overcome is a credit to our management and employees.

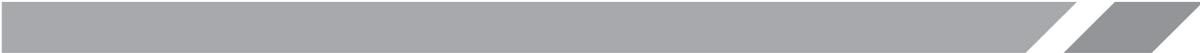
Finally, I express my gratitude to our Minister for Tourism and Major Events, The Hon Louise Asher MP, her personal staff and the officers of the Department of State Development, Business and Innovation who have been tremendously supportive and encouraging throughout this standout year.



Robert Annells PSM

Chairperson

Melbourne Convention and Exhibition Trust



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Introduction

This Annual Report describes the functions and operations of the Trust and presents the Audited Financial Statements of the Trust for the year ended 30 June 2014.

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

History and Background

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

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

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

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

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

The Trust is responsible to the Minister for Tourism and Major Events, The Hon Louise Asher MP.

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.

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; and
 - ii) any part of the exhibition land that the Trust reasonably requires in conjunction with the use of the Royal Exhibition Building subject to any agreement or arrangement between the Trust and the Museums Board of Victoria;
- e. any other matter authorised by the Act.

Objectives and Performance Review

OUR VISION

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

OUR MISSION

To connect people through memorable experiences.

The Trust's key objectives consist of four strategic pillars:

OUR PEOPLE AND CULTURE

To be the employer of choice.

OUR CUSTOMER

To be the customer's venue of choice in the region.

OUR CORPORATE AND FINANCIAL HEALTH

To be financially sustainable and maintain prudent corporate decisions.

OUR COMMUNITY

To grow our community impact.

The Trust's target is to attain optimum utilisation of available space, enhance the profile of the Centre and the State as 'a place to do business' and achieve the specific objectives by implementing the following strategies:

Our People and Culture

To be the employer of choice.

Strategies:

- To continue to refine the organisational structure and ensure the focus is to exceed our customers' expectations and be the venue of choice for employment within the industry.
- To implement an ongoing skills and professional development program for management and employees through participation in formal and informal skills and knowledge based development activities.
- To commence work on a People and Culture strategy that will review current skills within the business, assess for future needs, performance manage existing employees and develop capabilities to grow the business.

Performance Review:

The Trust continues to invest in the Centre's "unity" program through ongoing induction, training, and reward and recognition. "unity" has been widely communicated to all employees through the Centre's intranet, newsletters, employee events and awards. As this program is almost three years old, we will continue to evolve this culture in the future.

The Centre invested in professional development through its internal Learning Management System Learn@Work. This is an online tool that centralises all learning and development activities within the business and reduces the risk of non-compliance, and helps to increase productivity and build capacity.

An innovation program called THINK continues to benefit the business as employees are encouraged to submit ideas to the Executive Team in order to capture and nurture innovation across all areas of the Centre. A number of THINK ideas were implemented over the last 12 months and there are currently a number of active projects that are due for completion or are in contemplation in the next financial year.

In the last 12 months the Centre has continued to reduce staff turnover from 13.5 per cent to 10.5 per cent.

Our Customer

To be the customer's venue of choice in the region.

Strategies:

- To continue the ongoing market research program that monitors current and future customer requirements and competitor services and facilities.
- To further analyse "the customer" including needs, expectations, segmentation, profitability, future planning, relationships, yields, leakage and competition. This will apply across business activities.
- Maintain utilisation levels of the Centre and improve wherever possible.
- Align the business development of national and international associations with the Centre's sales and research in order to drive better opportunity.
- Analyse the next phase of small meetings business through the South Wharf Meetings and Events (SWME) partnership to better leverage and drive improved space utilisation on short-term business.
- Ensure sales activities are targeted towards events that generate maximum economic benefit relative to the government's investment in the Centre and/or are consistent with its ongoing industry and business development policies.
- Develop and implement, in partnership with the State, City of Melbourne and the MCB, a three to five year sales and marketing plan that ensures long-term bookings for business events and meets the financial and economic objectives of the Centre.
- Development of and participation in business development activities with a range of business partners, particularly the MCB, City of Melbourne, State and Federal Government, industry and tourism bodies, customers and suppliers.

Performance Review:

Market research is carried out on a quarterly basis by an external organisation (TKP Research).

In 2013/14 more than 400 separate event organisers were surveyed. The survey tracks performance across seven major areas of the Centre's performance. These comprise sales service, event planning, venue, technology, food and beverage, floor staff and quotation and pricing. Each one of these areas is broken into seven or eight sub-categories.

The results revealed a satisfaction rating of 85 per cent that is broadly consistent across all areas of the Centre's business. This level of satisfaction has increased over the past four years from 75 per cent.

The Trust has introduced strategies to strengthen customer relationships including the introduction of key account managers to ensure it builds repeat business. The Centre has also implemented a process improvement initiative called “blueprint” to streamline the customer experience and manage expectations in the event planning and delivery phases. This business process mapping project aims to make it easier for our customers to do business with MCEC by improving our customer-facing and internal processes.

Utilisation levels over the last 12 months were high, and consistent with the results of the previous year. It continues to remain a challenge to accommodate more bookings in the busier seven to eight months of future years. We are currently turning away 19.5 per cent of potential business due to a lack of available space. This is compounded particularly by the diversity of the events being conducted at the venue. In the year ahead the exhibition space is virtually full and the continuing trend of “convex” business (convention and exhibition) is challenging our utilisation.

The focus of the Trust remains the attraction of national and international conventions. There are currently 46 international conventions of various sizes booked and almost 81 national conventions booked over the next two years.

The Centre will continue to deliver some of the world’s largest medical and scientific conferences in 2014/15, including the International AIDS Conference and World Cancer Congress. These types of events are getting more difficult to attract as the world builds more convention infrastructure and international competition bids more aggressively to fill the space and justify the investment in buildings.

The Centre is an active participant in the Tourism Australia Associations Program which is a co-operative campaign aimed specifically at the international associations market segment and the Business Events Council of Australia which continues to seek more active involvement of the Federal Government and Tourism Australia in this area.

The Trust continues to contribute financially to support the MCB and works closely with them to develop and implement a fully integrated sales and marketing program each year. Over the year the Centre has continued to work closely with the MCB to deliver large international business events. Whilst this is challenging due to global competition, it is even more difficult now with the impending International Convention Centre Sydney opening in 2017.

The CityWide support program and the Business Events Fund are both critically important in winning particular bids for international conferences for Melbourne.

The relaunch of the Club Melbourne Ambassador Program in 2013/14 meant a significant increase in Ambassador communication, interaction and activities to create an even stronger, focused and more supportive network to secure and host international conferences in Melbourne.

Club Melbourne has continued to have a positive impact on our business over the last 12 months. During the 2013/14 financial year, Club Melbourne Ambassadors helped to win 15 event bids, yielding an estimated economic impact of just over \$129 million for the State of Victoria.

Club Melbourne currently consists of 131 inducted Ambassadors and collectively they have been involved in securing 87 international conventions for the Centre, worth over \$580 million to Victoria.

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

The Trust works with the Plenary Conventions Hotel Pty Ltd and the Hilton Melbourne South Wharf to jointly promote corporate meetings through SWME. Over the last 12 months SWME has attracted approximately 850 business events. This partnership plays a key role in our pick-up within the financial year, with close to 80 per cent achieved through SWME.

During the last 12 months our operating margins have generally improved. However, in the current financial environment the Centre is facing more and more pressure to maintain these margins. This pressure is being impacted by rapidly changing customer expectations which are adding complexity to our business model. More complexity equals more cost but the customer expects us deliver these “value add” elements free of charge.

Our Corporate and Financial Health

To be financially sustainable and maintain prudent corporate decisions.

Strategies:

- Develop and implement an effective 12 month rolling financial forecasting system to facilitate better budgeting and early identification of revenue and expenditure trends.
- To continue to enhance our procurement and asset management strategy allowing the Centre to drive efficiencies, cost savings, rationalise the supplier base and improve customer relationships.
- To continue to invest in Occupational Health and Safety (OH&S) and the delivery of a safe workplace. To ensure the Trust is delivering best practice and providing leadership in safety.
- Continue to work with all stakeholders involved in the potential expansion of the Centre. The Trust is intimately involved in all aspects of developing a feasible business case to build flexible new space that will allow growth in the business.
- An active engagement program with industry bodies and individuals to ensure that facility development trends and future requirements are identified and considered for implementation when appropriate.
- An active communication program with precinct partners and other major industry participants, such as the Melbourne hotel community, to ensure support for all aspects of the Convention Centre development and its ongoing achievement of business targets.

Performance Review:

An integrated financial forecasting system has been introduced and covers all business units. A rolling 12 month forecast is updated monthly to provide management with current information to assist with budgeting and analysis. Work is continuing to refine our forecasting techniques.

MCEC has continued to review and refine the asset management strategy. This is focusing on short term capital expenditure and priorities and also to look at a three year plan and then a longer perspective of 10 years.

The Trust has an ongoing facility development program for both the Convention Centre and the Exhibition Centre. This program is in addition to the responsibilities of Plenary Conventions Pty Ltd (Plenary), the private sector builder and facility manager.

The Trust is particularly focused on continued improvement to operating systems and equipment and Plenary is focused on the ongoing maintenance of the standard of the Centre.

In the last 12 months the Trust has invested \$5.8 million from its reserves in the implementation of its capital works program. A significant element was continued investment in technology, specifically the \$3 million transition from analogue to digital transmission of video signals across the venue.

A comprehensive plan for the staged refurbishment of both facilities into the future is produced by the Plenary as part of its facility management responsibilities. This plan is reviewed by the Trust to ensure it remains appropriate to address any changes in circumstances that have occurred since it was initially developed in 2006.

Through the ongoing implementation of a comprehensive health and safety program, including the active participation of Plenary, encompassing all persons who visit the Centre for whatever purpose to ensure that the level of health and safety instances occurring per period are minimised.

The Centre reports monthly to the Trust regarding the OH&S and procurement functions of the business. Ongoing independent assessment of OH&S and related practices are undertaken to monitor whether industry best practice standards are being achieved.

In respect of employees, our goal of a 10 per cent reduction in total incidents was achieved along with a 25 per cent reduction in our Lost Time Injury Frequency Rate, which measures the numbers of injuries serious enough to result in a missed shift. There have been no incidents of a serious nature during the year which is a tribute to staff diligence and the high level of health and safety practices currently in place.

Ernst & Young, as part of the Trust's internal audit program, also monitors the performance in this area and their ongoing review has confirmed the excellent level of performance achieved in the Trust's operation of the Centre.

There are weekly meetings between the Trust's officers and Plenary to monitor performance and there are monthly meetings with the State to review performance at a higher level. There have been no incidents during the year where the private sector partner has failed to meet its obligations in this area.

The Trust continues to take an active role in inter-Centre forums in relation to operations, sales and marketing, finance, human resources, IT and communications. These forums serve to better inform both ongoing operational activities and systems and also provide useful competitive insights to enable further product development to take place.

The Trust also plays an active and at times leading role in committees and organisations including:

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

During the last 12 months regular briefings have been held for Melbourne hoteliers and for an extensive variety of related sales and marketing and relevant community bodies.

Our Community

To grow our community impact.

Strategies:

- To continue to refine and implement work being conducted by a group of stakeholders, both internal and external, to focus on sustainability and managing the business in an environmentally friendly manner.
- To commence work on a strategy that better integrates the Centre with its community to deliver a positive impact.

Performance Review:

The last 12 months has seen the Centre maintain all relevant accreditations and continue its efforts towards achieving the highest levels of environmental accreditation. The Centre has a silver status with EarthCheck for its environmental management program. EarthCheck is an internationally recognised certification program designed for the travel and tourism industry.

A new “Environmental Taskforce” has been introduced to drive positive environmental outcomes for the Centre. The collaboration between MCEC, Plenary and Brookfield Johnson Controls aims to reduce the impact our business has on the environment, including sustainability improvements to electricity, gas, water, paper, waste and more. A significant increase in diversion of waste from landfill has been achieved.

A community engagement strategy is being developed. In 2013/14 the Centre continued its work in specific areas of support for long standing partners including the Starlight Children’s Foundation and Variety.

In 2014, the Centre commenced a long term agreement with The Royal Children’s Hospital Good Friday Appeal, which was held for the first time at the Centre in 2014. The Centre provided the space for the annual fundraising event, opened its doors to the public and showcased the Centre’s commitment to the local community.

The Trust is also an active supporter of SecondBite and Hanover. In addition, the Centre’s employees participated in many individual and group activities which have raised monies for specific not-for-profit groups. Most of these were coordinated by the corporate social responsibility “Our Communities” committee and involved a significant level of employee and management participation.

Trustees

At the time of writing this report, seven Trustees are appointed to the Trust for terms of up to three years. Three new Trustees Jonathan Metcalfe, Sandra (Sam) Andersen and Matthew Mills commenced their three-year terms on 1 July 2013.

MR ROBERT ANNELLS, PSM

Chairman

Mr Annelles was reappointed as Chairperson to the Trust on 22 May 2012 for a three year term ending on 11 May 2015. He served as Chief Executive of Tourism Victoria from March 1993 to June 1998. Prior to this he was the inaugural Chief Executive of the Melbourne Docklands Authority. Mr Annelles has been a member of the Trust and its predecessor Melbourne Exhibition Centre Trust since 1994 and has been the Chairperson since 1 January 1998. He is currently Chairman of TasRail, VicTrack and Forestry Tasmania.

MS YVONNE VON HARTEL AM

Trustee

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

MS LINDA DEWAR

Trustee

Ms Dewar was reappointed to the Trust on 11 August 2012. Ms Dewar is currently the Managing Director of Executive Adjunct and Director Service Improvement with GMCT and was the Chief Operating Officer for CGU Insurance from 2006 to 2008. Prior to this she was the Chief Information Officer for NAB Retail Bank after previously serving eight years as a Senior Executive with ANZ Banking Group. She is the Chair of Kids Under Cover and a director on the board of Haven, Home Safe. A member of the Australian Institute of Company Directors, she holds a Graduate Diploma of Arts.

MS MARIE JACKSON

Trustee

Ms Jackson was reappointed to the Trust on 21 June 2014. With rich experience in the tourism, incentive and meetings industries, Ms Jackson is the Chief Executive of Solterbeck, a leading performance improvement company that works with companies to increase the engagement and performance of their employees and channel partners. Prior to this, Ms Jackson managed major advertising 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.

MR JONATHAN METCALFE

Trustee

Mr Metcalfe was appointed to the Trust on 1 July 2013. He has been Chief Executive Officer of Transdev, (formally Veolia Transport Australasia) since December 2009, having previously served as Executive Chairman of Veolia Transport's metropolitan rail business in Melbourne from January 2008. Prior to coming to Melbourne, Jonathan was Chief Executive Officer of Great North Eastern Railway (GNER) in the UK. Mr Metcalfe has extensive experience in passenger transport and a diverse background in human resources, customer services and general management, and was named as 'Safety Ambassador of the Year' by Safe Work Australia in 2013.

MS SANDRA (SAM) ANDERSEN LLB, CPA**Trustee**

Ms Andersen was appointed to the Trust on 1 July 2013. She has more than 18 years' executive experience at a senior level in the finance sector and 10 years' experience as a C-suite executive in the technology and health services industries. She is an experienced executive and non-executive director in the listed, unlisted and government sectors. She is also a Director and member of the Audit Committee and Risk Committee of Beyond Bank Australia, Director and Chair of the Audit & Risk Management Committee of Victrack, Director and Chair of the Audit Committee of Aneto Diagnostics Limited, and Director and member of the Audit & Finance Committee of Australian Hearing Services. Sam is a former managing director of Eyecare Partners Limited, and a former Chief Financial Officer of listed technology companies. Past directorships include Rural Finance Corporation, Victorian Funds Management Corporation and Superpartners Pty Ltd. Sam 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**

Matthew has extensive experience in business operations, management and development of large-scale entertainment, hospitality and retail within Australia and Europe. Matthew has previously delivered and managed multisite Cinema megaplex operations, new chains of supermarket stores, been Business Development Manager of an Australian network of advertising sites and is currently involved in operating Garden City Plastics, a major national manufacturer. Currently Matthew also serves as a Trustee of Trust for Nature Victoria and Chairs the Dandenong Ranges Gardens Advisory Committee for Parks Victoria.

Trust Information

APPOINTMENTS AND RESIGNATIONS

Mr Jonathan Metcalfe, Ms Sandra (Sam) Andersen LLB, CPA and Mr Matthew Mills were appointed on 1 July 2013.

Ms Marie Jackson and Ms Yvonne von Hartel were reappointed to the Trust for a further three years on the 21 June 2014.

TRUST MEETINGS

A total of 11 Trust meetings were conducted during the year ended 30 June 2014.

	Held	Attended
Mr Robert Annells	11	11
Ms Yvonne von Hartel	11	8
Ms Linda Dewar	11	9
Ms Marie Jackson	11	10
Mr Jonathan Metcalfe	11	9
Ms Sandra (Sam) Andersen	11	11
Mr Matthew Mills	11	11

An internal assessment of the Board of Trustees' performance was undertaken in 2013/14.

COMMITTEES AND SUB-COMMITTEES

To assist in fulfilling its responsibilities, the Trust has established the following Committees and Sub-Committees (all Trustees are independent of management):

Remuneration Committee

Comprises Trustees who are Chaired by Ms Marie Jackson

Risk Management Committee

Comprises Trustees who are Chaired by Ms Sandra (Sam) Andersen

Finance and Audit Sub-Committee

Ms Linda Dewar (Chair)
Ms Sandra (Sam) Andersen
Ms Marie Jackson

Capital Works Sub-Committee

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

Refer to **Appendix B** for Trust Committee and Sub-Committee functions.

CORPORATE PLAN

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

Management and employees

For the year ended 30 June 2014, the Trust employed seven Trustees, 170 full-time employees and the full-time equivalent of seven part-time and 185 casual employees.

This compares to seven Trustees, 152 full-time employees and the full-time equivalent of seven part-time and 185 casual employees for the year ended 30 June 2013.

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

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

EXECUTIVE MANAGEMENT

CHIEF EXECUTIVE

Peter King

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

CHIEF OPERATIONS OFFICER

Leighton Wood

Leighton is responsible for the day to day operations of the Centre and the development of a robust strategic framework for the operations team. This includes acting in the Chief Executive's role as appropriate.

CHIEF FINANCIAL OFFICER (Previously Director of Finance, amended 10 June 2014*)

Geoff Stephens

Geoff is responsible for financial management and reporting to the Trust, Finance and Audit Committee and Government. He ensures financial and accounting policies and practices within the Centre are planned, developed and implemented to effectively and efficiently contribute to the achievement of the operational and strategic objectives of the Centre.

**The role of Director of Finance was previously held by Amanda McPherson until 28 March 2014.*

DIRECTOR OF PEOPLE AND CULTURE (Previously Director of Human Resources, amended 24 June 2014*)

Untenured

The Director of People and Culture is responsible for the development, oversight and implementation of human resources and related policies. Responsibilities include employee relations, industrial relations, employee training and development, wages and salary administration, as well as the enhanced engagement and integration of the "unity" culture of the Centre across the business.

**The role of Director of Human Resources was previously held by Rochelle Choyna until 24 June 2014.*

DIRECTOR OF SALES, MARKETING AND CLUB MELBOURNE**Anne Jamieson**

Anne manages the development, direction, implementation and co-ordination of cost efficient strategic sales and marketing initiatives for the Centre to maximise market share, sales potential and sales achievement in all business segments. She is also responsible for marketing activities including brand management, communications and advertising to attract a wide range of business in the local, national and international markets, combined with the management of the Club Melbourne Ambassador Program.

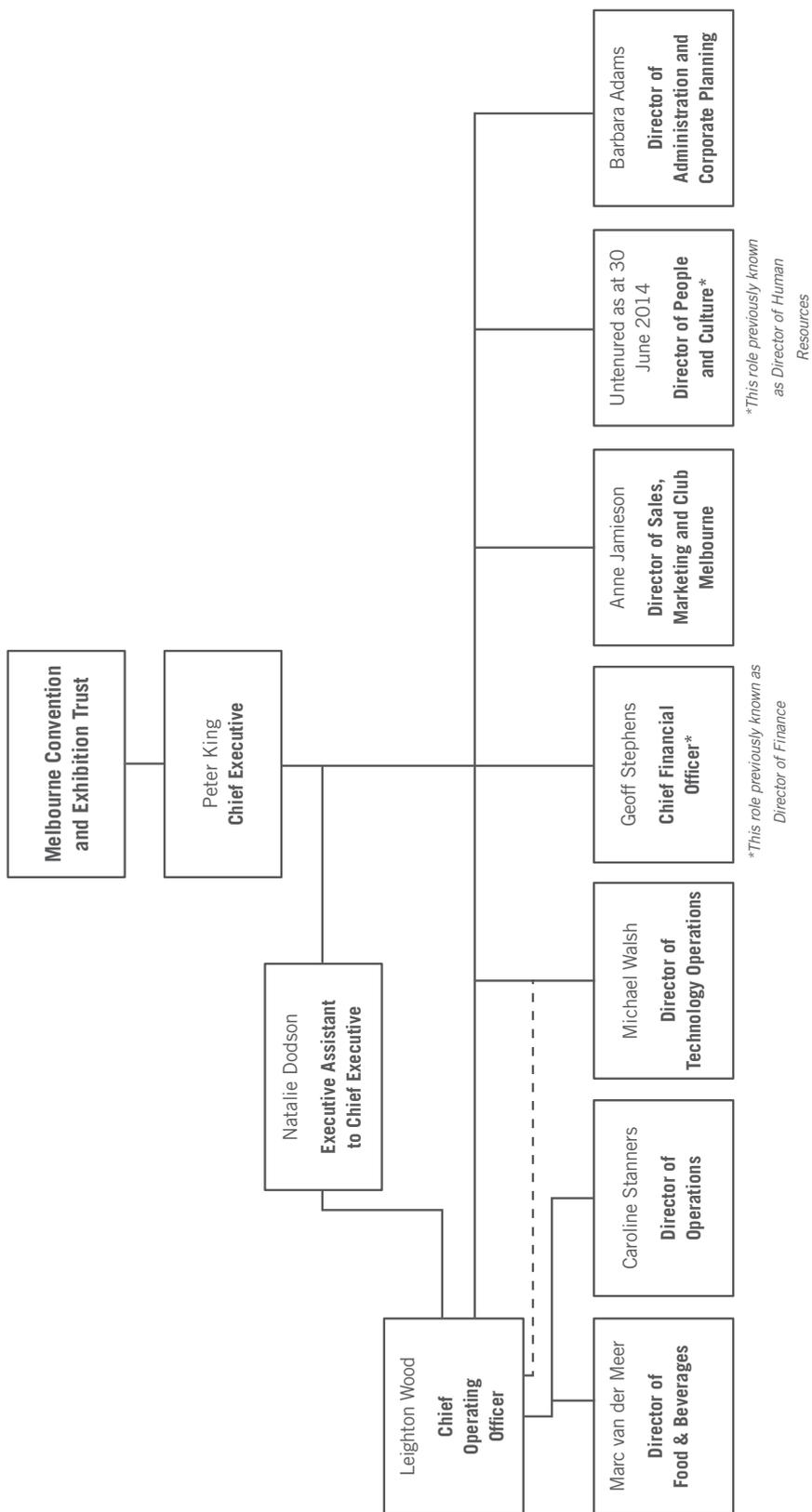
DIRECTOR OF TECHNOLOGY OPERATIONS**Michael Walsh**

Michael is responsible for the direction and development of the information, communication and audio visual technology capabilities and functions of the Centre. He provides strategic advice and guidance to the Centre in relation to technology infrastructure to ensure that all current and future needs are met in an efficient and effective manner.

DIRECTOR OF ADMINISTRATION AND CORPORATE PLANNING**Barbara Adams**

Barbara assists the Trust, the Government and other relevant organisations formulate business practices, submissions, reports, policies and procedures and provide advice and information in relation to the statutory, legal and regulatory requirements governing the Trust's operations. Barbara is also responsible for the management and monitoring of the Trust's obligations relating to the Melbourne Convention Centre Development Project.

Organisational Structure



Additional Reporting Requirements

Building regulations

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

Freedom of information (FOI)

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

For the 12 months ending 30 June 2014, the Trust received one application from an organisation. The Trust applied exemptions in accordance with the *Freedom of Information Act 1982* and the request, to date, has not progressed to internal review or appeal.

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

Further information on the Act may be obtained from www.foi.vic.gov.au.

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 will make 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.

Relevant information to be retained and available on request

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

Nature and range of services provided, including sections of the community serviced

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

National Competition Policy

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

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

Work health and safety performance measures

The Trust, over the last 12 months, has been successful in achieving a strong level of performance in relation to Workplace Health and Safety (WH&S). The Centre'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 Centre is a safe environment for all persons who attend the Centre, whatever the purpose of their visit. In the last 12 months, there were 136 injuries, the vast majority of which were minor – staff 58, visitors 62 and contractors 16. This represents a reduction of 30 per cent in injuries across all categories. A total of 86 staff days were lost during the year due to injuries. There is one claim ongoing.

Attestation of compliance of risk management

The Trust confirms that the Melbourne Convention and Exhibition Trust have risk management processes in place consistent with the Australian/New Zealand Risk Management Standard (or equivalent designated Standard). An internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Risk Management Committee verifies this assurance and that the risk profile of the Trust has been critically reviewed within the last 12 months.

Insurance Attestation Statement

The Accountable Officer (Chief Executive) certifies that the Trust has complied with Ministerial Direction 4.5.5.1 – Insurance.

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*:

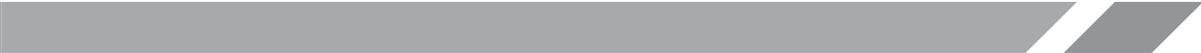
- a) reduce barriers to persons with a disability accessing goods, services and facilities
- b) reducing barriers to persons with a disability obtaining and maintaining employment
- c) promoting inclusion and participation in the community of persons with a disability
- d) achieving tangible changes 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 four outcome areas.

In particular, for the year ending 30 June 2014, the Trust has implemented the following initiatives in relation to accessibility at the Centre:

- 1) Website redesigned and accessible to *W3C Web Content Accessibility Guidelines 2.0*
- 2) Website redesign includes summarised Accessibility Services information;
- 3) Provision of Person of Size (POS) seating in Plenary;
- 4) Provision of portable units for wheelchair bays in Plenary; and
- 5) Portable wheelchair ramps to provide stage access in meeting rooms.





FINANCIAL INFORMATION SUMMARY



Financial Information Summary

COMPREHENSIVE OPERATING STATEMENT

Revenue

The Centre recorded its highest ever revenue in 2013/14.

The comprehensive operating statement of the Trust for the year ended 30 June 2014 reports total income from transactions of \$82.8 million, which is an increase of \$3.0 million (4%) from the previous year.

This strong result is predominantly due to sales of goods and services which increased by \$4.2 million (6%). The 2014 financial year saw a number of large international events take place at the Centre. This has resulted in a greater demand for technology services and public catering which has contributed to the increased revenue.

Interest earned on term deposits decreased by \$0.3 million due to a reduction in interest rates.

Included in grant income is an amount of \$4.4 million (2013: \$5.4 million) which represents grants received for international marketing support from Tourism Victoria and City of Melbourne. Also included in grant income is an amount of \$5.0 million (2013: \$4.9 million) which represents the grant from the Department of State Development, Business and Innovation (DSDBI) 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 Melbourne Convention Centre Development Project Agreement.

Expenses

Purchases of supplies and services have increased by \$1.2 million consistent with the increase in revenue. Operating departments have become more efficient, resulting in improved margins across most areas of the business.

The increase in employee benefits of \$2.4 million reflects increased casual employee hours required to service increased activity within the Centre, the higher superannuation guarantee rate of 9.25% and an increase in salary levels consistent with VPS guidelines.

The interest expense of \$10.4 million (2013: \$16.8 million) relates to the interest charged on the loan with DSDBI, which partly funded the Convention Centre asset. Interest expense has decreased as the fixed interest rate on the loan has been amended from 6.26% per annum to 3.78% per annum effective from 1 July 2013.

Depreciation expense of \$23.2 million (2013: \$27.0 million) has decreased from the prior year as a result of an adjustment to the useful life of buildings.

In total expenses from transactions, as defined in the financial statements, totalled \$101.3 million (2013: \$107.9 million).

The net result from transactions for the year ended 30 June 2014 was a deficit of \$18.6 million (2013: \$28.1 million deficit).

BALANCE SHEET

The balance sheet of the Trust as at 30 June 2014 reports net assets of \$582.7 million (2013: \$601.3 million). This reduction is mainly due to depreciation expense for the year and the capitalisation of interest expense on the loan with DSDBI.

Assets

Cash and deposits have decreased by approximately \$0.2 million to \$45.6 million (2013: \$45.7 million).

Property, plant and equipment has decreased by \$17.1 million. The decrease reflects depreciation expense for the year, partly offset by asset additions from completed capital projects.

Other non-financial assets have increased by approximately \$4.2 million which is mainly attributable to the capital replacement receivable taken to account during the year.

Liabilities

The interest bearing liability of \$279.6 million (2013: \$277.6 million) represents the value of the loan with DSDBI inclusive of accrued interest.

Other liabilities of \$14.0 million (2013: \$10.9 million) mainly comprises deposits held against future bookings which represents funds held on behalf of clients until the completion of an event. The increase on the prior year reflects growth in the Centre's event portfolio.

STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity records a net decrease in total equity of \$18.6 million to \$582.7 million for 2014. The only material movement in this statement is the current year's result.

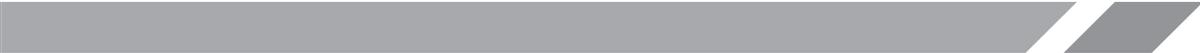
CASH FLOW STATEMENT

The cash flow statement reports a decrease of \$0.2 million in cash held (2013: \$0.7 million decrease). Total cash holdings as at 30 June 2014 are \$45.6 million (2013: \$45.7 million). This is inclusive of \$14.0 million (2013: \$10.9 million) of security deposits held in respect of future events. Cash flows from operating activities were \$14.0 million for the year (2013: \$11.1 million).

Cash flows used in investing activities reflect assets purchased and expenditure on capital improvements, most notably the installation of the new bay operable wall in the Exhibition Centre. Cash flows used in investing activities totalled \$5.8 million (2013: \$4.1 million).

Cash flows from financing activities include the third loan repayment to DSDBI of \$8.4 million (2013: \$7.7 million). This equates to 75% of the net cash flows from operating activities for the previous financial year.





FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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Comprehensive Operating Statement

For the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
CONTINUING OPERATIONS			
INCOME FROM TRANSACTIONS			
Sales of goods and services	(2a)	72,209	68,038
Interest	(2b)	1,211	1,495
Grants	(2c)	9,342	10,240
TOTAL INCOME FROM TRANSACTIONS		82,762	79,773
EXPENSES FROM TRANSACTIONS			
Supplies and services	(3a)	37,961	36,754
Employee expenses	(3b)	29,245	26,858
Interest expense	(3c)	10,404	16,837
Depreciation	(3d)	23,189	27,041
Other operating expenses	(3e)	531	454
TOTAL EXPENSES FROM TRANSACTIONS		101,330	107,944
NET RESULT FROM TRANSACTIONS (NET OPERATING BALANCE)		(18,568)	(28,171)
OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT			
Net gain/(loss) on non-financial assets		8	6
Net gain/(loss) on movement in long service leave provision		(15)	47
TOTAL OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT		(7)	53
NET RESULT		(18,575)	(28,118)
OTHER ECONOMIC FLOWS – OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to net result			
Changes in physical asset revaluation surplus	(18)	-	25,246
TOTAL OTHER ECONOMIC FLOWS – OTHER COMPREHENSIVE INCOME		-	25,246
COMPREHENSIVE RESULT		(18,575)	(2,872)

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

Balance Sheet

As at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
ASSETS			
FINANCIAL ASSETS			
Cash and deposits	(4)	45,571	45,731
Receivables	(5)	7,148	6,103
TOTAL FINANCIAL ASSETS		52,719	51,834
NON-FINANCIAL ASSETS			
Inventories	(6)	2,232	2,156
Property, plant and equipment	(7)	809,337	826,421
Other non-financial assets	(8)	21,980	17,732
TOTAL NON-FINANCIAL ASSETS		833,549	846,309
TOTAL ASSETS		886,268	898,143
LIABILITIES			
Payables	(9)	7,713	6,386
Borrowings	(10)	279,646	277,597
Provisions	(11)	2,196	1,926
Other liabilities	(12)	13,979	10,925
TOTAL LIABILITIES		303,534	296,834
NET ASSETS		582,734	601,309
EQUITY			
Accumulated surplus/(deficit)		(99,419)	(80,844)
Physical asset revaluation surplus	(18)	258,932	258,932
Contributed capital		423,221	423,221
NET WORTH		582,734	601,309

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

Statement of Changes in Equity

For the financial year ended 30 June 2014

	Notes	Physical asset revaluation surplus \$'000	Accumulated surplus/ (deficit) \$'000	Contributed capital \$'000	Total \$'000
Balance at 30 June 2012		233,686	(52,726)	423,221	604,181
Net result for the year		-	(28,118)	-	(28,118)
Other comprehensive income for the year	(18)	25,246	-	-	25,246
Balance at 30 June 2013		258,932	(80,844)	423,221	601,309
Net result for the year		-	(18,575)	-	(18,575)
Other comprehensive income for the year	(18)	-	-	-	-
Balance at 30 June 2014		258,932	(99,419)	423,221	582,734

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

Cash Flow Statement

For the financial year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS			
Receipts from customers		81,477	72,024
Receipts from Government		4,620	4,620
Interest received		1,253	1,269
TOTAL RECEIPTS		87,350	77,913
PAYMENTS			
Payments to suppliers and employees		(69,055)	(63,659)
Goods and Services Tax paid to the Australian Taxation Office		(4,271)	(3,115)
TOTAL PAYMENTS		(73,326)	(66,774)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	(17b)	14,024	11,139
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of non-financial assets		(5,858)	(4,106)
Proceeds from sale of non-financial assets		28	2
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		(5,830)	(4,104)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loan		(8,354)	(7,692)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		(8,354)	(7,692)
Net increase/(decrease) in cash and deposits		(160)	(657)
Cash and deposits at beginning of financial year		45,731	46,388
CASH AND DEPOSITS AT END OF FINANCIAL YEAR	(17a)	45,571	45,731

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

Notes to Financial Statements

For the financial year ended 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB).

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

(b) Basis of accounting preparation and measurement

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

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

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

- the fair value of land and buildings (Note 7)
- the useful lives of service equipment (Note 6) and plant and equipment (Note 7)
- assumptions for employee benefit provisions based on historical data, likely tenure of existing employees, future salary movements and future discount rates (Note 11).

These financial statements are presented in Australian dollars, and prepared in accordance with the historical cost convention except for:

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

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

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

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

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

(c) Reporting entity

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

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

(d) Scope and presentation of financial statements

Comprehensive operating statement

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

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

Balance sheet

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

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

Statement of changes in equity

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

Cash flow statement

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

Rounding of amounts

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

(e) Changes in accounting policies

Subsequent to the 2012/13 reporting period, the following new and revised Standards have been adopted in the current

period with their financial impact detailed as below.

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for all fair value measurements. AASB 13 does not change when the Trust is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards when fair value is required or permitted. The Trust has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revisited and adjusted where applicable. In light of AASB 13, the Trust has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair values recognised. However, AASB 13 has predominantly impacted the disclosures of the Trust. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 *Financial Instruments: Disclosures*.

The disclosure requirements of AASB 13 apply prospectively and need not be applied in comparative information before first application. Consequently, the 2012/13 comparatives of these disclosures have not been provided, except for financial instruments, of which the fair value disclosures are required under AASB 7 *Financial Instruments: Disclosures*.

AASB 119 Employee benefits

In 2013/14, the Trust has applied AASB 119 *Employee Benefits* (September 2011, as amended) and the related consequential amendments for the first time. The revised standard changes the definition of short-term employee benefits. These were previously benefits that were expected to be settled within twelve months after the end of the reporting period in which the employees render the related service, however, short-term employee benefits are now defined as benefits expected to be settled wholly within twelve months after the end of the reporting period in which the employees render the related service. As a result, accrued annual leave balances which were previously classified by the Trust as short-term employee benefits no longer meet this definition and are now classified as long-term employee benefits. This has resulted in a change of measurement for the annual leave provision from an undiscounted to discounted basis. In light of AASB119 the Trust has reviewed its employee benefits change in classification for short-term and long-term provisions and considers the change in measurement of the annual leave provision to be not material. Consequently, the change in accounting policy has not been applied retrospectively.

(f) 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.

Income from sale of goods and services

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

Interest income

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

Grants

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

(g) Expenses from transactions

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

Supplies and services

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

Employee expenses

These expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, superannuation contributions and WorkCover premiums. Details of the superannuation funds the Trust made contributions to throughout the year are disclosed in Note 22.

Interest expense

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

Depreciation

All buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases) that have finite useful lives are depreciated. Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life.

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

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

Asset	Useful life
Buildings	22 – 50 years
Plant and equipment	2 – 15 years

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

Other operating expenses

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

(h) Other economic flows included in the net result**Net gain/(loss) on non-financial assets**

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

Impairment of assets

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

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

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

(i) Financial assets**Cash and deposits**

Cash and deposits, including cash equivalents, comprise cash on hand, cash at bank and short-term deposits.

Receivables

Receivables include debtors in relation to goods and services and are recognised initially at fair value.

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

(j) Non-financial assets

Inventories

Inventories include goods held for consumption in the ordinary course of business operations. Inventories held for consumption are measured at cost. Service equipment relates to high volume, low cost items used multiple times in service delivery and includes crockery, cutlery and glassware.

Property, plant and equipment

Buildings and plant and equipment are measured initially at cost and subsequently revalued at fair value less accumulated depreciation.

Revaluations of non-financial physical assets

Non-financial physical assets are measured at fair value, in accordance with the Financial Reporting Directions (FRDs) issued by the Minister for Finance. A full revaluation normally occurs every five years, based on the asset's government purpose classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are generally used to conduct these scheduled revaluations. Any interim revaluations are determined in accordance with the requirements of the FRDs.

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

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

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

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class but are not offset in respect of assets in different classes.

Revaluations of land and cultural assets

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

Prepayments

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

Capital replacement receivable

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

(k) Liabilities

Payables

Payables consist of accounts payable and accrued expenses for goods and services received prior to the end of the financial year that are unpaid. Payables arise when the Trust becomes obliged to make future payments in respect of the purchase of those goods and services.

Borrowings

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

Provisions

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

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

Employee benefits

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

(i) Annual leave

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

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

- 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.

(ii) Long service leave

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

Unconditional LSL (representing seven or more years of continuous service for employees and executives) is disclosed in the notes to the financial statements as a current liability, even where the Trust does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

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

Conditional LSL (representing less than seven years of continuous service for employees and executives) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

Deposits held against future bookings

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

(l) Leases

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

(m) Income taxes

The Australian Taxation Office has deemed the Trust to be a "Public Authority" within the terms of Section 50-25 of the *Income Tax Assessment Act 1997* and therefore any income shall be exempt from income tax. The Trust is not subject to the State Equivalent Income Tax System. No provisions for income taxes payable have been raised.

(n) Equity

Contributions by owners

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 or distributions have also been designated as contributions by owners.

(o) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 14) at their nominal value and inclusive of the goods and services tax (GST) payable.

(p) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 15) and, if quantifiable, are measured at nominal value.

(q) Accounting for the goods and services tax (GST)

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

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

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

(r) Events after the reporting period

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

(s) Foreign currency

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

(t) Australian Accounting Standards issued that are not yet effective

As at 30 June 2014, 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 the first financial statements for reporting periods commencing after the stated operative dates as follows:

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 <i>Financial Instruments</i>	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i>).	1 Jan 2017	The preliminary assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.

2. INCOME FROM TRANSACTIONS

	2014 \$'000	2013 \$'000
(a) Sales of goods and services		
Rendering of services	45,319	41,709
Sales of goods	26,890	26,329
Total sales of goods and services	72,209	68,038
(b) Interest		
Interest on bank deposits	1,211	1,495
Total interest	1,211	1,495
(c) Grants		
Specific purpose for on passing	4,360	5,380
Asset lifecycle replacement	4,982	4,860
Total grants	9,342	10,240

3. EXPENSES FROM TRANSACTIONS

	2014 \$'000	2013 \$'000
(a) Supplies and services		
Purchase of supplies and consumables	9,304	9,545
Purchase of services	19,743	18,934
Cost of goods sold	7,286	6,864
Maintenance	1,628	1,411
Total supplies and services	37,961	36,754
(b) Employee expenses		
Defined contribution superannuation expense	2,431	2,011
Salaries and wages, annual leave and long service leave	26,814	24,847
Total employee expenses	29,245	26,858
(c) Interest expense		
Interest on Government loan (i)	10,404	16,837
Total interest expense	10,404	16,837
(d) Depreciation		
Buildings	17,396	19,056
Plant, equipment and vehicles	5,793	7,985
Total depreciation	23,189	27,041
(e) Other operating expenses		
Operating lease expenses	436	378
Bad debts from transactions	40	47
Service equipment write down	55	29
Total other operating expenses	531	454

- (i) As detailed in Note 10 the Convention Centre was financed in the form of a loan with DSDBI with a value of \$227.7 million together with a capital contribution of \$227.7 million. On 27 June 2014, DSDBI advised MCET that effective from 1 July 2013, the fixed interest rate on the loan had been amended from 6.26% per annum to 3.78% per annum. A loan variation agreement was signed on 24 July 2014. Consequently, interest expense for the year ended 30 June 2014 and loan principal outstanding on that date reflect the interest rate reduction.

4. CASH AND DEPOSITS

	2014 \$'000	2013 \$'000
Cash on hand	5,571	3,731
Term deposits	40,000	42,000
Total cash and deposits	45,571	45,731

5. RECEIVABLES

	2014 \$'000	2013 \$'000
Amounts owing from Victorian Government (i)	89	60
Receivables (ii)	7,088	6,093
Provision for doubtful debts (iii)	(29)	(50)
Total receivables	7,148	6,103

- (i) The amounts receivable from the Victorian Government represent money owing from events Victorian Government Departments/Agencies have booked at the MCEC in the ordinary course of business.
- (ii) Receivables are carried at nominal amounts due. The average credit period on settling of monies owed is seven days. No interest is charged on other receivables for outstanding balances.
- (iii) A provision has been made for amounts where collection is considered no longer probable, determined by reference to issues relating to individual accounts.

(a) Movement in the provision for doubtful debts

	2014	2013
	\$'000	\$'000
Balance at beginning of the year	(50)	(49)
Decrease in provision due to transfers out	-	-
Amounts written off during the year as uncollectable	50	18
Increase in provision recognised in the net result	(29)	(19)
Balance at end of the year	(29)	(50)

(b) Ageing analysis of receivables

Please refer to Table 16.2 in Note 16 for the ageing analysis of receivables.

(c) Nature and extent of risk arising from receivables

Please refer to Note 16(a) for the nature and extent of credit risk arising from receivables.

6. INVENTORIES

	2014	2013
	\$'000	\$'000
Inventories at cost	418	287
Service equipment at cost	1,814	1,869
Total inventories	2,232	2,156

7. PROPERTY, PLANT AND EQUIPMENT

	2014	2013
	\$'000	\$'000
Land at independent valuation 2013	245,625	245,625
	245,625	245,625
Buildings at independent valuation 2013	565,768	565,768
Buildings at cost	2,267	-
Less accumulated depreciation	(17,396)	-
Written down value	550,639	565,768
Cultural assets at independent valuation 2012	263	280
	263	280
Work in progress at cost	5,967	3,213
	5,967	3,213
Plant and equipment at fair value	34,471	33,573
Less accumulated depreciation	(27,628)	(22,038)
Written down value	6,843	11,535
Net carrying amount of property, plant and equipment	809,337	826,421

RECONCILIATIONS

Table 7.1 Classification by 'Public Safety and Environment' Purpose Group – Movements in carrying amounts

	Freehold land \$'000	Buildings \$'000	Cultural assets \$'000	Plant & equipment \$'000	Work in progress \$'000	Total \$'000
Year ended 30 June 2014						
Carrying amount at start of year	245,625	565,768	280	11,535	3,213	826,421
Additions	-	260	-	114	5,751	6,125
Transfers	-	2007	-	990	(2,997)	-
Disposals	-	-	(17)	(3)	-	(20)
Revaluations	-	-	-	-	-	-
Depreciation expense	-	(17,396)	-	(5,793)	-	(23,189)
Carrying amount at end of year	245,625	550,639	263	6,843	5,967	809,337
Year ended 30 June 2013						
Carrying amount at start of year	214,500	579,140	280	22,849	2,836	819,605
Additions	-	3,121	-	126	5,493	8,740
Transfers	-	8,442	-	(3,326)	(5,116)	-
Disposals	-	-	-	(129)	-	(129)
Revaluations	31,125	(5,879)	-	-	-	25,246
Depreciation expense	-	(19,056)	-	(7,985)	-	(27,041)
Carrying amount at end of year	245,625	565,768	280	11,535	3,213	826,421

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

Table 7.2 Fair value measurement hierarchy for assets as at 30 June 2014

	Carrying amount as at 30 June 2014 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land at fair value				
Non-specialised land	245,625	-	245,625	-
Total of land at fair value	245,625	-	245,625	-
Buildings at fair value				
Non-specialised buildings	550,639	-	-	550,639
Total of buildings at fair value	550,639	-	-	550,639
Plant and equipment at fair value				
Plant and equipment	6,843	-	-	6,843
Total of plant, equipment and vehicles at fair value	6,843	-	-	6,843
Cultural assets at fair value				
Artworks	263	-	263	-
Total of cultural assets at fair value	263	-	263	-

There have been no transfers between levels during the period.

Land and Buildings

Independent valuations of the Melbourne Convention and Exhibition Centre's land and buildings were performed by independent valuers for the 2013 financial year. The valuations, which conform to Australian Valuation Standards, were calculated based on the fair value of the land and depreciated replacement cost of the buildings.

Cultural Assets

The fair value of cultural assets was determined with reference to an independent valuation performed in October 2011 by Dwyer Fine Art (approved Valuer for the Australian Government's Cultural Gifts Program) based on resale value of the works.

Plant & Equipment

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

There were no changes in valuation techniques throughout the period to 30 June 2014.

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

Table 7.3 Reconciliation of Level 3 fair value as at 30 June 2014

	Plant and equipment \$'000	Buildings \$'000
Opening balance	11,535	565,768
Purchases (sales)	1,101	2,267
Transfers in (out) of Level 3	-	-
Depreciation	(5,793)	(17,396)
Impairment loss	-	-
Subtotal	6,843	550,639
Revaluation	-	-
Closing balance	6,843	550,639
Unrealised gains/ (losses) on non financial assets	-	-

Table 7.4 Description of significant unobservable inputs to Level 3 valuations

	Valuation Technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Plant & equipment	Depreciated replacement cost	Useful life of plant and equipment	2 – 15 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Buildings	Depreciated replacement cost	Useful life of buildings	22 – 50 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

8. OTHER NON-FINANCIAL ASSETS

	2014 \$'000	2013 \$'000
Current		
Prepayments	1,344	696
	1,344	696
Non-current		
Capital replacement receivable	20,636	17,036
	20,636	17,036
Total other non-financial assets	21,980	17,732

9. PAYABLES

	2014 \$'000	2013 \$'000
Current		
Trade creditors (i)	1,578	903
Other payables	1,312	1,277
Accrued expenses	4,823	4,206
Total payables	7,713	6,386

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

(a) Maturity analysis of payables

Please refer to Table 16.3 in Note 16 for the maturity analysis of payables.

(b) Nature and extent of risk arising from payables

Please refer to Note 16 for the nature and extent of risks arising from payables.

10. BORROWINGS

	2014 \$'000	2013 \$'000
Current		
Loan from Government (i)	10,518	8,354
	10,518	8,354
Non-current		
Loan from Government (i)	269,128	269,243
	269,128	269,243
Total borrowings	279,646	277,597

(i) The Convention Centre was financed in the form of a loan with the Department of State Development, Business and Innovation (DSDBI) 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 DSDBI for a 25 year term, at a fixed interest rate of 6.26% per annum, with a commencement date of 1 April 2009, maturing 31 March 2034.

Subsequent to the execution of the loan agreement, the Secretary of DSDBI provided a letter of comfort to the Trust deferring repayments in regards to the financial years ended 30 June 2009 and 30 June 2010. The letter also provided that if the Trust requests a deferral for the financial year ended 30 June 2011 or any later financial year then the request will be granted to the extent that the total of installments under the MCET Loan Agreement for the relevant financial year are greater than an amount equal to 75% of MCET's

net cash flows from operating activities as disclosed in the Trust's Cash Flow Statement in respect of that financial year. As the amount of the Trust's net cash flow cannot be finally determined until the financial statements are finalised, the repayment cannot be made until the subsequent financial year.

For all subsequent financial years after the year ended 30 June 2010, the Trust requested the deferral of loan repayments after the finalisation of the financial statements. The Secretary of DSDBI agreed to the requests. Therefore, the current liability at 30 June 2014 of \$10.518 million represents 75% of the net cash flows from operating activities, in respect to the financial year ended 30 June 2014.

The increase in total liability reflects the capitalisation of the interest payable on the loan pursuant to the deferral of loan repayments. On 27 June 2014, DSDBI advised MCET that effective from 1 July 2013, the fixed interest rate on the loan had been amended from 6.26% per annum to 3.78% per annum. A loan variation agreement was signed on 24 July 2014. Consequently, interest expense for the year ended 30 June 2014 and loan principal outstanding on that date reflect the interest rate reduction.

11. PROVISIONS

	2014 \$'000	2013 \$'000
Current		
<i>Employee benefits (i)</i>		
<i>Annual leave</i>		
Unconditional and expected to be settled within 12 months	634	535
Unconditional and expected to be settled after 12 months	31	68
<i>Long service leave</i>		
Unconditional and expected to be settled within 12 months	79	68
Unconditional and expected to be settled after 12 months	707	608
	1,451	1,279
<i>Provisions for on-costs</i>		
Unconditional and expected to settle within 12 months	35	27
Unconditional and expected to settle after 12 months	37	30
Total current provisions	72	57
Non-current		
Employee benefits – long service leave	641	565
On-costs – long service leave	32	25
Total Non-Current Provisions	673	590
Total provisions	2,196	1,926

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

12. OTHER LIABILITIES

	2014 \$'000	2013 \$'000
Current		
Income received in advance	21	6
Other liabilities	-	-
Deposits held against future bookings	13,958	10,919
Total other liabilities	13,979	10,925

13. LEASES

Disclosure of operating leases

Leasing arrangements

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

Non-cancellable operating leases

	2014	2013
	\$'000	\$'000
Payable no longer than one year	251	325
Longer than one year but not longer than five years	279	78
	530	403

14. COMMITMENTS FOR EXPENDITURE

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

(a) Capital expenditure commitments

Ongoing contracted capital works of \$0.00 million have been committed to as at 30 June 2014

(b) Lease commitments

Non-cancellable operating lease commitments are disclosed in Note 13 to the financial statements.

15. CONTINGENT LIABILITIES & CONTINGENT ASSETS

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

16. FINANCIAL INSTRUMENTS

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

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

Table 16.1: Categorisation of financial instruments

	Financial assets – loans and receivables	Financial liabilities – at amortised cost
	\$'000	\$'000
2014		
Financial assets		
Cash and deposits	45,571	-
Receivables (i)	6,848	-
	52,419	-
Financial liabilities		
Payables (i)	-	6,337
Borrowings	-	279,646
Other liabilities	-	13,979
	-	299,962
2013		
Financial assets		
Cash and deposits	45,731	-
Receivables (i)	5,803	-
	51,534	-
Financial liabilities		
Payables (i)	-	5,609
Borrowings	-	277,597
Other liabilities	-	10,925
	-	294,131

(i) Amounts disclosed in this table exclude statutory amounts (i.e. Grants owing from Victorian Government, GST, FBT, Payroll tax and congestion levy payable).

(a) Credit risk

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

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

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

Provision of impairment for financial assets is calculated based on past experience, and current and expected changes in client credit ratings.

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

Financial assets that are either past due or impaired

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

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

Table 16.2: Ageing analysis of financial assets

	Carrying amount	Not past due and not impaired	Past due but not impaired			
			Less than 1 month	1-3 months	3 months – 1 year	1-5 years
30 June 2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables (i)	6,848	5,379	976	415	53	25
	6,848	5,379	976	415	53	25
30 June 2013						
Receivables (i)	5,803	2,804	2,254	492	253	-
	5,803	2,804	2,254	492	253	-

(i) The carrying amounts disclosed here exclude statutory amounts (i.e. Grants owing from Victorian Government)

(b) Liquidity risk

Liquidity risk is the risk that the Trust would be unable to meet its financial obligations as and when they fall due. The Trust operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, makes payments within 30 days from the date of resolution. The Trust manages its liquidity risk by closely monitoring future cash flows to ensure adequate holding of high quality liquid assets and dealing in highly liquid markets.

The Trust's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events could be sourced from early liquidation of cash held on deposit if required.

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

Table 16.3: Maturity analysis of financial liabilities (i)

	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 2014							
Payables (ii)	6,337	6,337	5,245	78	1,014	-	-
Borrowings (iii)	279,646	395,871	-	10,518	-	93,868	291,485
Other	13,979	13,979	4,089	5,083	3,841	966	-
	299,962	416,187	9,334	15,679	4,855	94,834	291,485
30 June 2013							
Payables (ii)	5,609	5,609	4,245	-	1,364	-	-
Borrowings (iii)	277,597	495,910	-	8,354	-	112,970	374,586
Other	10,925	10,925	3,080	3,559	3,345	941	-
	294,131	512,444	7,325	11,913	4,709	113,911	374,586

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

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

(iii) As detailed in Note 10, a Loan Agreement was executed between the Trust and DSDBI for a 25 year term, at a fixed interest rate of 6.26%, with a commencement date of 1 April 2009, maturing 31 March 2034. The borrowings outstanding include capitalised interest as the Government agreed to defer the loan repayments as described in Note 10. On 27 June 2014, DSDBI advised MCET that effective from 1 July 2013, the fixed interest rate on the loan has been amended from 6.26% per annum to 3.78% per annum. The principal outstanding at 30 June 2014 reflects the interest rate reduction. The nominal amount represents the principal and interest payable over the future life of the loan in accordance with the current loan schedule.

(c) Market risk

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

Foreign currency risk

The Trust is exposed to foreign currency risk through its purchases of supplies and consumables from overseas. This risk is considered insignificant due to the limited amount of transactions denominated in foreign currencies and a relatively short timeframe between commitment and settlement.

The Trust exposures are mainly against the US dollar, Euro and British Pound and are managed through continuous monitoring of movements in exchange rates, and by ensuring availability of funds through cash flow planning and monitoring. Based on past and current assessment of economic outlook, it is deemed unnecessary for the Trust to enter into any hedging arrangements to manage the risk.

The Trust's sensitivity to foreign currency movements is set out in Table 16.5.

Interest rate risk

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

The Trust's sensitivity to interest rate risk is set out in Table 16.5.

Table 16.4: Interest rate exposure of financial instruments

	Weighted average effective interest rate %	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000
30 June 2014					
Financial assets					
Cash and deposits	2.68	45,571	-	45,571	-
Receivables (i)	-	6,848	-	-	6,848
		52,419	-	45,571	6,848
Financial liabilities					
Payables (i)	-	6,337	-	-	6,337
Borrowings	3.78	279,646	279,646	-	-
Other liabilities	-	13,979	-	-	13,979
		299,962	279,646	-	20,316
30 June 2013					
Financial assets					
Cash and deposits	2.91	45,731	-	45,731	-
Receivables (i)	-	5,803	-	-	5,803
		51,534	-	45,731	5,803
Financial liabilities					
Payables (i)	-	5,609	-	-	5,609
Borrowings	6.26	277,597	277,597	-	-
Other liabilities	-	10,925	-	-	10,925
		294,131	277,597	-	16,534

(i) The carrying amounts disclosed here exclude statutory amounts (i.e. Grants owing from Victorian Government, GST, FBT, Payroll tax and congestion levy payable).

Table 16.5: Interest rate and foreign exchange risk sensitivity

	Carrying amount \$'000	Foreign exchange -10% / + 10%		Interest rate -0.5% (50 basis points) +0.5% (50 basis points)			
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
30 June 2014							
Financial assets							
Cash and deposits (i)	45,571	-	-	(228)	(228)	228	228
30 June 2013							
Financial assets							
Cash and deposits	45,731	-	-	(229)	(229)	229	229

(i) Cash and deposits includes deposits of \$45.6 million (2013: \$45.7 million) that is exposed to floating rates movements. Sensitivities to these movements are calculated as follows:

2014: \$45.6 million x (0.005) = (\$0.2) million; and \$45.6 million x 0.005 = \$0.2 million; and
2013: \$45.7 million x (0.005) = (\$0.2) million; and \$45.7 million x 0.005 = \$0.2 million.

(d) Fair value

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

17. CASH FLOW INFORMATION**(a) Reconciliation of cash and cash equivalents**

	2014	2013
	\$'000	\$'000
Total cash and deposits disclosed in the balance sheet	45,571	45,731
Balance as per cash flow statement	45,571	45,731

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

Net result for the period	(18,575)	(28,118)
Add/(less) non-cash movements		
Depreciation of non-current assets	23,189	27,041
Write-back of service equipment	55	29
(Gain)/loss on sale or disposal of non-financial assets	(8)	(6)
Capital replacement receivable and lifecycle expenses	(4,112)	(4,043)
Interest on Government loan	10,404	16,837
Net change in assets and liabilities		
(Increase)/decrease in current receivables	(1,045)	51
(Increase)/decrease in current inventories	(131)	79
(Increase)/decrease in other current assets	(648)	(55)
(Decrease)/increase in current payables	1,571	1,285
(Decrease)/increase in current provisions	187	286
(Decrease)/increase in other current liabilities	3,054	(2,398)
(Decrease)/increase in non-current provisions	83	151
Net cash flows from/(used in) operating activities	14,024	11,139

18. PHYSICAL ASSET REVALUATION SURPLUS

	2014	2013
	\$'000	\$'000
Balance at beginning of the year	258,932	233,686
Revaluation increments/(decrements)	-	25,246
Balance at end of the year	258,932	258,932

19. RESPONSIBLE PERSONS

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

Names

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

Minister

The Hon. Louise Asher MP, Minister for Tourism and Major Events.

Governing Board

Mr Robert Annells (Chairperson)

Ms Yvonne von Hartel

Ms Linda Dewar

Ms Marie Jackson

Ms Sam Andersen (Appointed 1 July 2013)

Mr Jonathan Metcalfe (Appointed 1 July 2013)

Mr Matthew Mills (Appointed 1 July 2013)

Chief Executive - Accountable Officer

Mr Peter King

Remuneration

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

Income band	Total Remuneration	
	2014 No.	2013 No.
\$20,000 - \$29,999	-	1
\$30,000 - \$39,999	6	5
\$40,000 - \$49,999	-	1
\$50,000 - \$59,999	1	-
\$380,000 - \$389,999	-	1
\$390,000 - \$399,999	-	-
\$450,000 - \$459,999	1	-
Total number	8	8
Total amount (\$)	698,683	621,541

The remuneration of the Minister is reported in the financial statements of the Department of Premier and Cabinet.

Related party transactions – Chief Executive

- Melbourne Convention Bureau (MCB)
Peter King is a Board Member of MCB. MCB plays a key role in securing international conventions for Melbourne. In addition to the on-passing of Tourism Victoria and City of Melbourne grants in the 2014 financial year, the Trust invested \$1,655,307 in MCB (2013: \$1,978,829). MCB also transacted with the Trust \$42,063 (2013: \$40,074) for events held at the Centre.
- Business Events Council of Australia (BECA)
Peter King is the Deputy Chairperson of BECA. During the 2014 financial year the Trust paid \$7,500 for membership with BECA.
- Exhibition & Event Association of Australasia (EEAA)
Peter King is a Board Member of EEAA. Throughout the 2014 financial year the Trust paid \$18,319 (2013: \$14,409) for memberships and sponsorships. EEAA also transacted with Melbourne Convention and Exhibition Centre \$455 (2013: \$12,389) for events held within the Centre.

Related Party Transactions – Governing Board

- Solterbeck Travel Pty Ltd
Marie Jackson is the Chief Executive of Solterbeck Travel Pty Ltd. Solterbeck Travel Pty Ltd manage and plan corporate events some of which are held at the Melbourne Convention and Exhibition Centre. During this financial year Solterbeck Travel Pty Ltd expended \$700,273 (2013: \$0) with the Trust on behalf of its clients.
- VicTrack
Robert Annells and Sam Andersen are members of the VicTrack Board of Directors. VicTrack occasionally hold small meetings and events at the Melbourne Convention and Exhibition Centre. During this financial year VicTrack have expended \$12,164 (2013: \$3,946).

All related party transactions were negotiated on commercial terms.

20. REMUNERATION OF EXECUTIVES AND PAYMENTS TO OTHER PERSONNEL

(a) Remuneration of executives

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

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

Income band	Total Remuneration		Base Remuneration	
	2014 No.	2013 No.	2014 No.	2013 No.
\$150,000 - \$159,999	-	-	1	-
\$160,000 - \$169,999	-	-	-	1
\$170,000 - \$179,999	1	1	2	2
\$180,000 - \$189,999	-	-	1	-
\$190,000 - \$199,999	1	2	-	2
\$200,000 - \$209,999	2	1	1	-
\$210,000 - \$219,999	-	1	-	-
\$220,000 - \$229,999	1	-	1	1
\$240,000 - \$249,999	-	1	-	-
\$250,000 - \$259,999	1	-	-	-
\$280,000 - \$289,999	-	-	-	1
\$290,000 - \$299,999	-	-	1	-
\$310,000 - \$319,999	-	1	-	-
\$330,000 - \$339,999	1	-	-	-
Total number of executives	7	7	7	7
Total annualised employee equivalent (AEE)	6.77	7.00	6.77	7.00
Total amount (\$)	1,594,191	1,538,995	1,412,887	1,413,084

(b) Payments to other personnel

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

21. REMUNERATION OF AUDITORS

Victorian Auditor-General's Office

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

	2014 \$'000	2013 \$'000
Paid as at 30 June	-	9
Payable as at 30 June	44	33
	44	42

22. EMPLOYEE SUPERANNUATION

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

As at 30 June 2014 superannuation contributions payable were \$0.26 million (2013: \$0.21 million)

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

	2014	2013
	\$'000	\$'000
<i>Host Plus Superannuation Fund</i>		
Total contributions during the year	1,257	1,073
Employer contributions as % of salaries	9.25%	9%
<i>Australian Super</i>		
Total contributions during the year	635	426
Employer contributions as % of salaries	9.25%	9%
<i>ASGARD Corporate Superannuation Fund</i>		
Total contributions during the year	107	95
Employer contributions as % of salaries	9.25%	9%
<i>Others</i>		
Total contributions during the year	444	386
Employer contributions as % of salaries	9.25%	9%
	2,443	1,980

23. EX GRATIA EXPENSES

	2014	2013
	\$'000	\$'000
Forgiveness or waiver of debt (i)	86	68
Total ex gratia expenses	86	68

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

24. SUBSEQUENT EVENTS

As outlined in Note 10, on 27 June 2014, DSDBI advised that effective from 1 July 2013 the fixed interest rate on its loan to the Trust had been amended from 6.26% per annum to 3.78% per annum. A loan variation agreement was signed on 24 July 2014. Given the conditions existing at the end of the reporting period, this event is considered an adjusting event after the reporting period. Consequently, interest expense for the year ended 30 June 2014 and loan principal outstanding at that date reflect the interest rate reduction.

25. GLOSSARY OF TERMS

Cash and deposits

Cash and deposits comprise cash on hand, cash at bank and short-term deposits.

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.

Employee expenses

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

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

A complete set of financial statements comprises:

- (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 balance sheet 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.

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.

Non-financial assets

Non-financial assets are all assets that are not 'financial assets'. It includes inventories, land, buildings, plant and equipment and cultural assets.

Other economic flows included in net result

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

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

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.

Certification

In accordance with a resolution of the Trustees of the Melbourne Convention and Exhibition Trust, we state that in our opinion:

- (a) 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 of the Trust during the year ended 30 June 2014 and financial position of the Trust as at 30 June 2014;
- (b) the attached financial statements for the Trust have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations and other mandatory professional reporting requirements; and
- (c) at the date of this report 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 20 August 2014.



Robert H Annells
Chairperson, Melbourne Convention and Exhibition Trust



Peter King
Chief Executive



Geoffrey Stephens
Principal Accounting Officer

Melbourne
20 August 2014

Auditor-General's Report

VAGO

Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Trustees, Melbourne Convention and Exhibition Trust

The Financial Report

The accompanying financial report for the year ended 30 June 2014 of the Melbourne Convention and Exhibition Trust which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the certification has been audited.

The Trustees' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Trustees, as well as evaluating the overall presentation of the financial report.

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

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Melbourne Convention and Exhibition Trust as at 30 June 2014 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Melbourne Convention and Exhibition Trust for the year ended 30 June 2014 included both in the Melbourne Convention and Exhibition Trust's annual report and on the website. The Trustees of the Melbourne Convention and Exhibition Trust are responsible for the integrity of the Melbourne Convention and Exhibition Trust's website. I have not been engaged to report on the integrity of the Melbourne Convention and Exhibition Trust's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
25 August 2014

T. D.H.
For John Doyle
Auditor-General

Additional Financial Information

SUMMARY OF FINANCIAL RESULTS

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

	2014	2013	2012	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000
Income from transactions	82,762	79,773	73,926	74,405	57,333
Expenses from transactions	101,330	107,944	100,720	97,785	84,429
Net result from transactions	(18,568)	(28,171)	(26,794)	(23,380)	(27,096)
Net result for the period	(18,575)	(28,118)	(26,335)	(23,396)	16,160
Net cash flow from operating activities	14,024	11,139	10,256	12,976	8,519
Total assets	886,268	898,143	891,149	910,899	836,863
Total liabilities	303,534	296,834	286,968	280,350	261,821

SUMMARY OF SIGNIFICANT CHANGES IN FINANCIAL POSITION DURING THE YEAR ENDED 30 JUNE 2014

Property, plant and equipment decreased by \$17.1 million. This decrease reflects depreciation expense for the year, partly offset by asset additions from completed capital projects. The increase in total liabilities is the result of an increase in deposits held against future bookings. Borrowings have also increased which is a result of capitalising accrued interest on the loan with DSDBI less the loan repayment of \$8.4 million made in October 2013.

CONSULTANCY EXPENDITURE

The definition of consultancy was updated effective 1 July 2013. Consequently, disclosures on the 2013/14 consultancy expenditure cannot be compared with previous year disclosures.

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

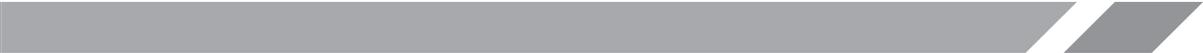
In 2013/14 there were 12 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2013/14 in relation to these consultancies is \$421,000 excluding GST. Details of individual consultancies are outlined below.

Consultant	Purpose of Consultancy	Start Date	End Date	Expenditure (\$'000)
Deloitte Touche Tohmatsu	Business process mapping project	3/12/2013	12/03/2014	135
Unita Group Pty Ltd	Food and beverage strategy development	15/08/2013	12/12/2013	45
Board Business	Strategic workshop	30/09/2013	28/02/2014	39
KPMG	Business risk profile	1/04/2014	30/04/2014	33
Right Lane Consulting Pty Ltd	Executive team strategy workshop	11/09/2013	25/09/2013	33
Jaquie Scammell Management Consulting Pty Ltd	Food and beverage strategy development	1/01/2014	13/05/2014	28
Parking & Traffic Consultants	Review of car park operations	1/12/2013	31/12/2013	24
Marsh Pty Ltd	Business continuity plan testing, facilitation and reporting	13/08/2013	31/08/2013	22
Ernst & Young	Strategic diagnostic workshop	1/03/2014	31/03/2014	20
Buro North	Wayfinding signage planning and concept design	15/01/2014	25/02/2014	15
Rigoni Hall	Technology services performance benchmarking report	6/11/2013	16/12/2013	14
Simpson Kotzman Pty Ltd	Environmental assessment	1/02/2014	28/02/2014	13

Details of consultancies under \$10,000:

In 2013/14, there were 6 consultancies engaged during the year, where the total fees payable to the consultants was less than \$10,000. The total expenditure incurred during 2013/14 in relation to these consultancies was \$41,000 excluding GST.





APPENDIX A

WORK HEALTH & SAFETY POLICY

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Work Health & Safety Policy



WORK HEALTH & SAFETY POLICY

The Melbourne Convention and Exhibition Trust (MCET) is committed to maintaining a proactive healthy and safe working environment for all employees and external contractors, clients, and the community, while ensuring regard to the environment throughout its business practices. As a consequence of this, the MCEC encourages all internal employees and external customers to regard accident prevention and working safely as a collective and individual responsibility and to respect their's and other's safety through appropriate conduct whilst on site or working for the MCEC. All visitors are required to comply with all MCEC given instructions in order to protect their health and safety whilst on the MCEC's premises.

The MCEC recognises its responsibility under Victorian Work Health and Safety (WH&S) legislation, and in conjunction with certification to AS/NZS 4801:2001 Occupational Health and Safety Management Systems, ISO 9001:2008 Quality Management Systems Requirements, HACCP-9000 Food Safety systems and Good Manufacturing Principles requirements and aims to incorporate practicable compliance to all aspects of related business activities.

The priority objectives of the WH&S Policy for the 2013/2014 year is the following:

- Implement a contractor management system
- Strengthen and review risk register
- Prevent fire – upgrade of electrical system in the Exhibition Centre bays.
- Reduce injuries to staff, contractors and the public by 10%.
- Test and tag - develop a system to record and control all electrical test and tag at MCEC.
- Reduce and enhance the efficiency of WHS paperwork, improving tkp results.

The MCEC's WH&S Policy, objectives and procedures are reviewed on a regular basis and as required by changes to processes or governing requirements. Copies of the Policy are available on all WH&S Noticeboards, and the MCEC Website www.mcec.com.au.

Further information may be obtained by emailing whs@mcec.com.au.

A handwritten signature in black ink, appearing to read 'Peter King'.

PETER KING
Chief Executive

September 2013







APPENDIX B

TRUST COMMITTEE AND SUB-COMMITTEE FUNCTIONS

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Trust Committee and Sub-Committee Functions

Remuneration Committee – Responsibility

The main responsibilities of the Committee are to:

- Advise the Trustees on the Centre's policy and practice for executive remuneration and the individual remuneration packages for its executives (that is, employees not covered by awards and collective agreements).

Risk Management Committee – Responsibility

The main responsibilities of the Committee are to:

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

Finance and Audit Committee – Membership and Responsibility

The main responsibilities of the Committee are to:

- 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; and
 - compliance with applicable laws and regulations; and
- Determine the scope of the internal audit function and ensure that its resources are adequate and used effectively, including co-ordination with the external auditors.

Capital Works Committee – Membership and Responsibility

The main responsibilities of the Committee are to:

- Assist the Trust in fulfilling its governance and oversee responsibilities in relation to investment in capital works including:
 - recommending the annual capital works program for approval and;
 - monitoring the progress of capital works.

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.

Ministerial Directions

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Charter and purpose

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Management and structure

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