

# ANNUAL REPORT 2019- 2020









# **CONTENTS**

From the Chair	4
.....	.....
From the Chief Executive	7
.....	.....
Who we are	9
.....	.....
Board of Directors	11
.....	.....
The Board	13
.....	.....
Committees of the Board	14
.....	.....
2018-19 Business Plan Report Card	15
.....	.....
Year in review – 2019-20 highlights	17
.....	.....
Financial statements	21
.....	.....

## **Acknowledgement**

Queen Victoria Market Pty Ltd respectfully acknowledges the Traditional Owners of the land, the Boon Wurrung and Woiewurrung (Wurundjeri) people of the Kulin Nation and pays respect to their Elders past, present and emerging.

# FROM THE CHAIR

It gives me great pleasure to introduce the 2019-20 Annual Report for Queen Victoria Market Pty Ltd.

It has been a privilege to help the Company navigate arguably the most difficult period the Market has ever faced. As Melbourne's largest retail, hospitality and tourism hub, the Market, its traders and the Company itself have suffered greatly as a result of the COVID-19 pandemic.

Yet despite the devastating impact of the pandemic on every aspect of the Market, the response of the QVM Pty Ltd team has been exceptional. They have been nimble and responsive to the rapidly changing environment and remained totally focused on supporting traders, keeping the Market open and attracting customers despite difficult geographic restrictions.

I have also been impressed by the many traders who have adapted their businesses during this crisis. Some traders have pivoted to deliveries and many others have built an online presence with the help of the Small Business Mentoring Service, funded through our Trader Connect program, or discovered new distribution channels. The entrepreneurship and innovation that underpin the activity at the Market has never been more evident than in the last few months.

While working exceptionally hard to manage the impact of various restrictions and public health requirements on Market activities, the QVM Pty Ltd team has also made progress in a number of areas that are important for traders, customers, the Company and the Market into the future as we work to recover from COVID-19.

There has been a particular focus on attracting locals and Melburnians to the Market, creating new ways to purchase goods from QVM traders to extend their reach and customer base, improving safety and the trading environment. They have also worked with the Queen Victoria Market Precinct Renewal Team to fast track shed restoration to minimise the impact of works on our general merchandise traders when they are allowed to return to trade.

From a governance, oversight and accountability perspective, we have made significant progress in embedding and refining changes to governance arrangements and reporting lines that commenced in 2018-19 and until the pandemic were on track to deliver on all our shareholder expectations. These arrangements included:

- New reporting arrangements for the Renewal Program, including revised governance arrangements for the Renewal Committee endorsed by the City of Melbourne in May 2019, with the Committee now reporting to the QVM Pty Ltd Board
- The addition of Board/Committee Secretariat support has helped ensure appropriate support with the additional governance oversight of the Renewal Program
- Changes to the structure of the Trader Representative Committee to ensure fairer representation across the Market and the appointment of a new Committee in March.

After a year of change in 2018-19, we now have stable membership on our Board of Directors. Di Laws was appointed to the Board of Directors in October 2019, bringing a wealth of retail expertise. We are delighted to have Di on the Board and we are already seeing the value of her considerable experience.

Despite the challenges before us, with the focus now on recovery and revitalisation, the Board is confident that the Company will re-emerge from the current COVID-19 crisis in a strong position.

This will take time, but with QVM Pty Ltd working together with Market traders we will drive the changes and improvements required to secure a strong and vibrant future for the Market. This will include working closely with traders to finalise a new five year retail strategy for the Market.

We could not do this work without the support of many people.

First and foremost – our shareholder. We have valued the confidence and collaboration of the Council and CEO of the City have shown in us and thank them for their support. In particular, I would like to highlight the substantial financial support provided to the company due to the impact of the COVID-19 pandemic on our financial position.

The three sub committees of the Board have fulfilled a vital role – thank you to members of the Audit, Risk & Finance Committee; the Trader Representative Committee; and the Renewal Committee for your time and commitment. Thank you in particular to the outgoing members of our Trader Representative Committee who have contributed a great deal during their term.

Thank you to Jo Wandel, Jonathan Kambouris and the wider QVM Precinct Renewal team who have continued to work in close partnership with QVM Pty Ltd to advance the Renewal Program.

Once again, I would like to acknowledge the outstanding work of the staff of QVM during a particularly challenging year, led by our able and talented CEO Stan Liacos, and his smart and highly dedicated executive team.

Lastly, I would like to thank my fellow Board members, Jane Hodder, Rob Adams, Patrick Burroughs, Di Laws and Michael Tenace. I thank them for their sound advice, counsel and comradeship throughout.

Jane Fenton AM  
Chair  
26 October 2020





# FROM THE CHIEF EXECUTIVE

2019-20 was a big year for Queen Victoria Market (QVM) Pty Ltd, with significant progress made towards building a strong and sustainable future for the Market and our traders. It has also been a year of great challenge and change, with extraordinary events in our external environment shifting our focus from the longer-term revitalisation of the Market to survival.

Our focus has remained on making the Market a great place to do business for our traders and improving the experience for shoppers and visitors. This has included progressing initiatives to improve safety and the environmental sustainability of the Market, and to enhance operations and the Market's physical environment. We also continued to work with traders to adapt, innovate and evolve to ensure the Market's relevance and survival.

We have worked closely with the City of Melbourne QVM Precinct Renewal (QVMPR) team and traders to progress plans for a number of important Renewal projects for the Market. Pleasingly this year we have seen more visible signs of progress on the Munro Community Hub and commencement of the restoration of the historic open sheds.

2019 was a very strong year for the Market. 10 million visitors in 2019 turned around a 14-year decline in visitation, with 5.1 million visitors in the second half of 2019 setting us on a trajectory to increase visitation by 22% in 2019-20 compared to the previous financial year. The profitability of the Company also improved in 2019, which followed a decline in profitability since 2011, with significant deterioration in 2016/17 and gradual improvement year-on-year since then.

However with the combined impact of bushfires early in 2020 and the COVID-19 pandemic, the first half 2020 has been very challenging. These events have impacted Market visitation and the ongoing pandemic has brought significant financial and other challenges for both traders and QVM Pty Ltd.

Our focus throughout the pandemic has been to keep the Market operational, support traders and ensure the sustainability of the Company, including substantial trader rent relief and measures to meet health and safety requirements.

Unfortunately, the effect of trader rent relief and decreased revenue in other areas due to the COVID-19 pandemic have had a significant impact on QVM Pty Ltd's financial performance in 2019-20.

Despite being \$518,017 ahead of the year-to-date budget at the end of February 2020 and having \$3 million in financial reserves, QVM Pty Ltd has been dependent on financial assistance from the City of Melbourne since June 2020 to cover costs associated with keeping the Market operating.

Without this support from the City of Melbourne, QVM Pty Ltd would have recorded a \$2.99 million operating loss in 2019-20.

Despite the challenges faced in the second half of 2019-20, I am very proud of what our team has achieved this year. Some of these include:

- 8.4 million people attended the Market in 2019-20, with 7.8 million attending the Day Market and 612,226 attending seasonal Night Markets
- The Market remained a top tourist attraction in Victoria for international visitors, second only to Melbourne's CBD shopping precinct
- Significant efforts to respond to the COVID-19 pandemic and support traders, including 100% trader rent relief, and health and safety measures to meet various government requirements
- Revised trading hours from October 2019 to provide consistent hours on weekdays and an extra hour to shop on the weekend for convenience
- Implementation of a new Leasing and Licensing Framework to provide greater certainty and security of tenure for traders who are committed to doing business at the Market
- A new 'Pre-order & Pick-up' service launched during the pandemic to provide contactless pickup of Market fresh produce orders from Queen Street
- A significantly expanded programming calendar, with 63 Market, community and third-party events held between 1 July 2019 and 13 March 2020 (prior to mass gathering COVID-19 mass gathering ban)
- New third-party/community event partnerships, such as the Melbourne Food and Wine Festival
- Improved environmental performance, with an increase in recycling rates from 53% to 72% and reduced electricity consumption
- New partnership with online delivery platform YourGrocer to bring an online delivery service to the Market
- Opening of the revitalised String Bean Alley, with 26 unique retailers in bespoke shipping containers
- Changes to the QVM Pty Ltd management structure and membership to better meet the needs of the business and the operational requirements of the Market, as well as supporting revised governance arrangements and the Renewal Program.

I am very fortunate to work with such a dedicated and skilled team who have been pivotal in getting the Market, traders and company through an extremely challenging time, while continuing to progress our future plans and priorities. We continue to focus on building strong relationships with traders so we can work together to drive important changes and improvements that are in the best interests of the Market as a whole and to support its future viability. There is no better example of this shared commitment and collaboration with traders than what has occurred through the COVID-19 pandemic.

I look forward to continuing this collaboration with traders to ensure the Market's survival through this challenging period. The COVID-19 pandemic has further reinforced the need for us to adapt to meet changing customer expectations, and the need to attract more inner-city locals and Melburnians to the Market given the likely absence of tourism for some time.

I would like to extend my appreciation to Jane Fenton for her support, care and leadership as Chair of the QVM Board, as well as the contribution of our other Board Directors Jane Hodder (Deputy Chair), Rob Adams, Patrick Burroughs, Di Laws and Michael Tenace.

I also want to take the opportunity to acknowledge our outgoing Trader Representative Committee members who have contributed to many of our achievements in 2019-20 and in previous years.



Finally, thank you to Melbourne Lord Mayor Cr. Sally Capp, Deputy Lord Mayor Cr. Arron Wood and all City of Melbourne Councillors. A big thank you also to City of Melbourne CEO Justin Hanney and the QVMPR team for their dedication to the Market Renewal Program throughout the year.

In accordance with the Local Government Act, I am pleased to present the Queen Victoria Market Pty Ltd Annual Report for the year ending 30 June 2020.

Stan Liacos  
Chief Executive Officer  
26 October 2020



# WHO WE ARE

Queen Victoria Market is one of the world's most significant public marketplaces, boasting the highest concentration of independent small businesses anywhere in Australia.

At seven hectares it is Australia's largest retail marketplace. Encompassing heritage sheds, iconic market halls and historic shopfront terraces, the market is a permanent home to more than six hundred independently owned businesses, offering a diverse range of fresh food, general merchandise and hospitality five days a week. Hundreds more street food vendors and merchandise businesses join the market community on a seasonal basis, including at the expansive calendar of community and Market events, such as seasonal Night Markets.

Continuously trading since its official opening in 1878, Queen Victoria Market celebrated its 140th Birthday in 2018, making it the longest surviving marketplace of its scale and diversity in Australia. Its community of Market traders, affordability and diverse retail offer has serviced a loyal customer base for generations. Today, Queen Victoria Market's evolving offer of authentic markets, hospitality, events and activities ensures its ongoing relevance as a launching pad for new business and a centre for the community.

## PURPOSE

Queen Victoria Market Pty Ltd is a wholly owned commercial subsidiary of the City of Melbourne and is responsible for managing the day-to-day operations and planning of the Queen Victoria Market. As owners of the Queen Victoria Market, the City of Melbourne has oversight and responsibility for any major capital improvements at the site.

Queen Victoria Market Pty Ltd is responsible for building on the existing appeal of the Queen Victoria Market, one of the world's most significant public marketplaces, and guiding it through the next phase in its evolution so it can be enjoyed by generations to come.

## VISION

Queen Victoria Market will be a 'market of markets'; a thriving and diverse market and community meeting place that is loved by locals and a must see for visitors.

## STRATEGIC GOALS AND OBJECTIVES

To help achieve our vision for the Market, the following Core Market Elements and Guiding Planning Principles set our direction and priorities, and guide everything we do:

### Core Market Elements

1. An authentic market experience
2. A reinvigorated fresh food hub
3. A showcase for diverse retail
4. An immersive food destination
5. An active and animated precinct.

### Guiding Planning Principles

1. Protect the Market's heritage
2. Create a great place to do business
3. Build community and celebrate diversity
4. Foster a sustainable future
5. Improve safety and modernise operations.

## VALUES

Underpinning our vision and strategic framework are our organisational values:

- Market leaders: bold in our decisions, leading by example and inspiring others
- Creative and courageous: encouraging creativity, have an entrepreneurial spirit and confident in our actions and delivery
- Trusting of each other: working as one team respecting each other's decisions, roles and ideas
- Passionate about the Market: showing pride, enthusiasm and dedication in everything we do for the benefit of the Market
- Customer focused: supporting each other and our trader community, encouraging the best service and quality for Market customers.



*Gin Springs*





# BOARD OF DIRECTORS



**Jane Fenton AM**  
Chair

Jane has more than 30 years' experience as a non-executive director having served on a number of Australian boards including independent statutory authorities, not for profit organisations and private companies. She has a background in, marketing communications, stakeholder engagement and reputation management and founded and ran an award-winning strategic communications agency.

Jane is a past winner of a Victorian Telstra Business Woman Award and is a Fellow of both the Public Relations Institute of Australia and the Australian Institute of Company Directors. Jane is currently also an independent director of UniMutual Pty Ltd, which is a member based organisation that provides risk protection and risk management services to members drawn from the tertiary education sector and is a director of Gather My Crew, a not for profit organisation which uses technology to enable people experiencing tough times to get the support they need.

She has previously chaired VicHealth, Very Special Kids and the Queen Victoria Women's Centre Trust and has been on the Board of the Murdoch Children's Research Institute as well as participating in many advisory committees. Jane was made a Member of the Order of Australia for her services to the community.



**Jane Hodder**  
Deputy Chair

Jane Hodder is a Partner in the real estate group of Herbert Smith Freehills. She has a depth of commercial experience in professional services and holds a Bachelor of Arts (Hons) and a Bachelor of Law from Monash University. She has spent more than 25 years in the building and real estate industries advising clients and bringing together parties on a range of transactions.

Jane has significant expertise serving on boards. She is the current Chair of the St Catherine's Girls School Council (and member of building and property sub-committee), Chair of the Centre for Contemporary Photography, a member of the Committee for Melbourne Board, a member of the Advisory Board to the Dean of Monash University Law School and a member of the Australian Institute of Company Directors, as well as a Williamson fellow and Cranlana fellow.

She is also a past member of the Herbert Smith Freehills Global Council, former Global Partner Head of Diversity and former chair of the Monash Law School Foundation. Jane is a proud and passionate Melbourne with a strong interest in our community and the arts, current business issues and matters affecting Melbourne, the State of Victoria and Australia.



**Professor Rob Adams AM**

Rob has had over 46 years' experience as a practising designer in both private enterprise and the public service. Rob has a Masters in Urban Design, a Bachelor of Architecture, and in 2016 was conferred with the degree of Doctor of Architecture from the University of Melbourne and is a graduate of the Australian Institute of Company Directors.

As a Director City Design & Projects at the City of Melbourne, Rob put into place in 1985 the first comprehensive urban design strategy for the city. Since then, Rob has made a significant contribution to the rejuvenation of central Melbourne.

In 2008, Rob was awarded the Prime Minister's Environmentalist of the Year and the Order of Australia in 2007 for his contribution to Architecture and Urban Design. In 2018, Rob was the recipient of the Australian Institute of Architect's National President's Award. Some key projects include postcode 3000, CH2 – Australia's first 6 star green commercial office building, Birrarung Marr, Swanston Street, City Square, Return to Royal Park, the Open Space and Urban Forest Strategies and numerous community buildings including Docklands, Boyd, East Melbourne and Kathleen Syme Libraries.



# BOARD OF DIRECTORS



**Patrick Burroughs**

Chair of the Company's Audit, Risk and Finance Sub-Committee, Mr Burroughs is a chartered accountant and was a senior partner at KPMG, a major accounting firm, until his retirement in 1998. In his career with KPMG he specialised in the Financial Services, Construction and Manufacturing sectors of the economy as well as managing major divisions of the firm.

He has served as a non-executive director of the Women's and Children's Health Service, Pacifica Group Ltd, The Companies Auditors and Liquidators Disciplinary Board, The Open Garden Scheme, The Royal Children's Hospital Melbourne, State Trustees Limited and the Corporate Trustees of large public offer superannuation funds administered by MLC Ltd.



**Di Laws**

Di Has over 25 years' experience in strategic leadership in the retail and wholesale industries across the Asia Pacific region. This experience includes vertical retail, concession, distributor and licensee models. From global fashion brands to organic food and general merchandise, Di has extensive skills in strategic planning and execution with demonstrated success leading business transformations.

Di is a graduate of the Australian Institute of Company Directors with a Master of Business Management from Swinburne University of Technology. She also holds a Graduate Certificate in Retail Leadership from the Australian Retailers Association (ARA) Retail Institute and has served as a facilitator with this organisation to deliver retail programs to retailers in Vocational Graduate Certificate and Diploma in Retail Leadership programs.

Di has held numerous CEO and general management roles in retail, most recently as the CEO of an Australian luxury lifestyle brand based in Melbourne. She currently operates a business management consultancy working with small to medium sized business owners on advisory committees, or as a business coach to facilitate the development of strategic plans and improve leadership capabilities to support implementation.



**Michael Tenace**

Michael is an experienced Board member with strategic, commercial and transformational skills. With extensive experience and proven success leading multiple functions (Chief Investment Officer, Chief Financial Officer, Chief Procurement Officer) his experience includes both public and private sector enterprises in domestic and international markets.

He understands the importance of good governance as a Director of numerous companies over the past 20 years including Australian Air Express, iPrint Pty Ltd and as a Trustee Director of the Australia Post Superannuation Scheme (APSS). He has a demonstrated history of working in the consumer services, superannuation, industrial products and FMCG industries. He is a Fellow of CPA Australia and a Graduate of Australian Institute Of Company Directors.

He has Chaired numerous Board Sub Committees including Audit, Risk and Compliance Committees. Michael is the Chief Financial Officer and General Manager Corporate Services for the City of Melbourne, where he provides strategic and operational advice and manages subsidiary companies and investments.

# THE BOARD

The Board is responsible for strategic direction and monitoring the performance of Queen Victoria Market Pty Ltd.

Directors are appointed by the City of Melbourne. Directors are appointed by the City of Melbourne for the Board of Queen Victoria Market Pty Ltd for periods of up to three years. The Board is to consist of a Chairperson, a Deputy Chairperson and no more than eight members in total.

At the end of 2019-20 there were six Directors appointed to the Board. A number of changes were made to the Board, its accountabilities and related support during the financial year:

- Di Laws was appointed to the QVM Pty Ltd Board of Directors on 10 October 2019
- New reporting arrangements for the Renewal Program that were endorsed by the City of Melbourne in May 2019 were embedded and refined in 2019-20, including revised reporting arrangements for the Renewal Committee, which now reports to the Queen Victoria Market Board
- Addition of Board / Committee Secretariat support to ensure appropriate support with the additional governance oversight of the Renewal Program.

Board meetings are held monthly or more frequently if required.

The QVM Pty Ltd Chief Executive Officer and the Chief Financial Officer/Company Secretary attend each Board meeting, with additional staff to attend as required.

Attendance by Directors at Board meetings held during the financial year are detailed below:

## QVM PTY LTD BOARD MEETING ATTENDANCE 1 JULY 2019 - 30 JUNE 2020

Board Member	Eligible to Attend	Attended
Jane Fenton AM	9	9
Jane Hodder	9	8
Rob Adams AM	9	7
Patrick Burroughs	9	8
Di Laws	6	6
Michael Tenace	9	8

# COMMITTEES OF THE BOARD

Queen Victoria Market Pty Ltd has two Board Committees, the Audit and Risk Committee and the Trader Representative Committee.

## Audit, Risk & Finance Committee

The Audit, Risk & Finance Committee is charged with overseeing the financial management of Queen Victoria Market Pty Ltd and receives reports from both internal and external auditors. This committee also reviews risk management policies and practices.

The Committee consisted of the following members:

- Patrick Burroughs – Chairperson
- Jane Fenton AM
- Jane Hodder.

## QVM PTY LTD AUDIT, RISK & FINANCE COMMITTEE · BOARD MEMBER ATTENDANCE 1 JULY 2019 · 30 JUNE 2020

Board Member	Eligible to Attend	Attended
Patrick Burroughs	4	4
Jane Fenton AM	4	4
Jane Hodder	4	4

## Trader Representative Committee

The Trader Representative Committee consists of Queen Victoria Market traders and Board members. The Committee plays an important role in serving as representatives for all sections of the Market, providing feedback and guidance to both QVM Pty Ltd and trader constituents on upcoming projects, the Renewal Program and the day-to-day operations of the Market.

A new Trader Representative Committee was appointed in early 2020 following a formal nomination and independent election process. 16 traders were appointed to the new Committee under an updated structure that provides fairer representation across different parts of the Market.

## QVM PTY LTD TRADER REPRESENTATIVE COMMITTEE · BOARD MEMBER ATTENDANCE 1 JULY 2019 · 30 JUNE 2020

Board Member	Eligible to Attend	Attended
Jane Fenton AM	9	8
Di Laws	4	4

## QVM Precinct Renewal Committee

The QVM Precinct Renewal Committee provides guidance and advice to the QVM Pty Ltd Board on the planning, design and delivery of the QVM Precinct Renewal Program. In May 2019, the City of Melbourne resolved to make the QVM Pty Ltd Board accountable for the delivery of the Renewal Program, with the Committee now reporting to the QVM Pty Ltd Board.

In 2019-20, the Committee consisted of all QVM Pty Ltd Board members and two independent members appointed by the City of Melbourne. QVM Pty Ltd Board Chair Jane Fenton AM and Deputy Chair Jane Hodder are the Chair and Deputy Chair of the Committee respectively.

## QVM PRECINCT RENEWAL COMMITTEE · BOARD MEMBER ATTENDANCE 1 JULY 2019 · 30 JUNE 2020

Board Member	Eligible to Attend	Attended
Jane Fenton AM	10	10
Jane Hodder	10	8
Rob Adams AM	10	9
Patrick Burroughs	10	9
Di Laws	6	5
Michael Tenace	10	8



# 2019-2020 REPORT CARD

The 2019-2020 Business Plan committed QVM Pty Ltd to the delivery of a range of key new initiatives specifically targeted to achieve our vision to create a thriving and diverse marketplace for future generations.

In summary, 14 of the 22 initiatives identified in the

2019-20 Business Plan have been fully achieved and eight initiatives are ongoing.

Initiatives that are ongoing are largely due to the significant impact of the COVID-19 pandemic, require detailed ongoing work, or are aligned to Renewal Program timelines.

Initiative	Complete	Ongoing
Establishment of an e-commerce and grocery delivery partnership	✓	
Implementation of new Leasing and Licensing Framework	✓	
Point of sale storage equipment and design project (fruit and veg)		✓
Delivery and launch of String Bean Alley	✓	
Installation of wi-fi across the Market*		✓
Retail advice and business mentoring for traders	✓	
Designation of QVM as a Smoke Free Area		✓
Reviewing the layout of the open sheds (Upper Market consolidation)		✓
Development of a Trader Attraction Strategy**		✓
Adjustments to Market trading hours	✓	
'Munro Corner' retail and hospitality strategy development		✓
Delivery of the QVMPR Program for 2019-20	✓	
New Trader Representative Committee election	✓	
Adopt and commence implementation of the QVM Sustainability Plan 2019-22	✓	
Installation of onsite organic waste treatment facility (trial)		✓
Cleaning and waste management services tender	✓	
Updated OH&S management system and processes	✓	
Implementation of Hostile Vehicle Mitigation program (Stage 1)	✓	
Emergency management training	✓	
Sitewide asset condition audit	✓	
New QVM Board and Management Structure	✓	
New EBA for QVM Employees		✓

\*Associated with shed restoration renewal project, due for completion in mid-2021

\*\*Delayed due to impact of the COVID-19 pandemic



\$2.50  
L. Bch



# YEAR IN REVIEW · 2019-20 HIGHLIGHTS

2019-20 was a significant year for the Market, both in terms achievements and challenges. Outlined below are some of the highlights of 2019-20 aligned to the following focus areas:

1. COVID-19 pandemic response
2. Trader experience & engagement
3. Customer experience
4. Market visitation & events
5. Safety, operations & physical environment
6. Business & governance
7. QVM Precinct Renewal.

## COVID-19 PANDEMIC RESPONSE

Since the onset of COVID-19 pandemic restrictions from mid-March 2020, the primary focus of QVM Pty Ltd has been to keep the Market open, meet government requirements and support traders during the crisis, so their businesses can survive.

Highlights included:

- Trader Support Package introduced from late March 2020, including an initial three months' of 100% rent relief for all traders until 30 June (substantial rent relief is continuing). Other support includes:
  - Trader financial hardship policy
  - Continued access to free business-related support through the Small Business Mentoring Service, including tailored advice to help access government support
  - Flexibility for traders in significantly impacted parts of the Market, such as the option to close early or not trade under certain circumstances
  - Significant focus on marketing and promotion to let customers know the Market is safe and open for business
  - Free one-hour customer parking on Market days after 9am
  - Regular communication and direct engagement with Market traders about government advice and information, including health and safety requirements, restrictions and business support
  - Engagement with all levels of government to support traders and advocate in the best interests of the Market
- Rapid adaptation and regular review to meet various government requirements and advice around social distancing, density in indoor spaces, cleaning and hygiene, as well as additional efforts to help customers feel safe visiting the Market
- Collaboration with the City of Melbourne to deliver the 'Our Shout' International Student Voucher Program in May 2020, which will see approximately \$2 million worth of QVM food vouchers distributed to 10,000 international students impacted by the pandemic. In the first five weeks, almost \$600,000 vouchers were redeemed
- A new 'Pre-order & Pickup' service launched in April 2020 to allow customers to shop from more than 50 fresh produce with contactless pickup from Queen Street in the heart of the Market
- Engagement with stall-based merchandise traders to plan their return when government COVID-19 restrictions allowed in June 2020. Due to a temporarily reduced footprint during restoration works, stalls were configured to appeal to locals due to the absence of tourism, and permanent trading locations trialled for those trading four or more days.





# YEAR IN REVIEW · 2019-20 HIGHLIGHTS

## TRADER EXPERIENCE & ENGAGEMENT

In addition to focused efforts to support traders, attract customers and keep the Market open during the COVID-19 pandemic, a range of other important initiatives were progressed in 2019-20 to engage with traders and improve the trading environment.

Highlights included:

- Appointment of a new Trader Representative Committee in March 2020 following a formal nomination and independent election process. 16 traders were appointed to the new Committee under an updated structure that provides fairer representation across different parts of the Market
- 832 Small Business Mentoring Service sessions with traders in 2019-20, which is funded through the Trader Connect Program to provide free business-related support. Traders accessing the service increased during the COVID-19 pandemic, with many traders building an online presence with help from the service
- Intensive work with traders to enhance their QVM website profiles and promote them through QVM channels. 61 trader applications were received for the Cooperative Marketing Program in 2019-20, which provides up to \$500 per trader
- Higher trader participation and engagement in workshops and surveys as a result of trader relationship management and communications efforts
- Issuing of licences to all stallholders to reaffirm QVM Pty Ltd's commitment to providing traders with a place to trade through to December 2021
- Implementation of a new Leasing and Licensing Framework to provide greater certainty and security of tenure for traders who are committed to doing business at the Market
- Updates to the New Stallholder Information Pack, Trader Assessment Criteria template and Stall Allocation Policy
- Successful activation of vacant L Shed space in August-November 2019 as an 'incubator/new trader' space for the Market, which complemented the revitalised String Bean Alley offer
- New ice making facilities introduced to support trader businesses
- Introduction of a ban on smoking for traders in the Market precinct (to be followed by a broader ban), in consultation with the Trader Representative Committee.

## CUSTOMER EXPERIENCE & ATTRACTION

Many initiatives were implemented in 2019-20 to improve the customer experience and ensure the Market continues to adapt to the changing retail landscape.

Highlights included:

- Revised trading hours introduced in October 2019, to provide consistent hours on weekdays and better convenience with an extra hour to shop on weekends
- New partnership with online delivery platform YourGrocer to bring an online delivery service to the Market. Fifteen traders participated in the launch
- Integration of the QVM website with Salesforce, enabling customers to view live trader locations to assist with finding traders who change locations
- Extensive marketing activity and focused campaigns to build brand awareness and promote the Market to locals, promote special events and festivals, promote the Market as a key tourist destination to Chinese and other growth markets, and to develop deeper engagement with the trader community
- Melbourne-based chef, restaurateur, writer, television presenter and Market lover Karen Martini joined as the new QVM ambassador, and Erin Roads became the QVM's first sustainability ambassador
- Focused efforts through Chinese social media channels, publications, tourism operators/partners to attract local Chinese residents and overseas tourists. A QVM Chinese website and Shopping/Dining Guide were developed to provide a better experience
- The QVM 'Foodie' tours program grew in the second half of 2019, supported by increased marketing to locals and tourists. Additional specialty tours were a success with sell-out attendance for the Ultimate Truffle and Ultimate Cheese Tours
- Attendance at Market Discovery Tours for students also increased thanks to a refreshed 'Education' page on the QVM website, including resources for teachers
- QVM continued to grow and drive engagement, with Facebook and Instagram followers growing by 10% and 21%, and 45% growth in e-newsletter subscribers. The website had 6 million+ views
- A ten-part Hidden Story film series was developed to showcase and celebrate QVM and our traders. The series of videos had more than 688,000 views and 8,153 total engagements (likes, comments, shares) across QVM social media platforms.

# YEAR IN REVIEW · 2019-20 HIGHLIGHTS

## MARKET VISITATION & EVENTS

Market visitation was very strong in the second half of 2019. 10 million visitors in 2019 turned around a 14-year decline in visitation, with 5.1 million of those visiting in the second half of 2019.

However 2020 visitation was severely impacted by the impact of bushfires in January and the COVID-19 pandemic from March. A ban on mass gatherings from 13 March forced the cancellation or postponement of all planned events and further restrictions relating to travel, community movement and work that came into place have continued to impact visitation.

As at 30 June, total Day and Night Market attendance for the first half of 2020 sat at just over 3.2 million, a decrease of 33% compared to the same period in 2019. Despite these setbacks, there were plenty of achievements in the area of events and visitation.

Highlights included:

- 8.4 million people attended the Market in 2019-20, with 7.8 million attending the Day Market and 612,226 attending seasonal Night Markets
- 63 Market, community and third party events were held between 1 July 2019 and 13 March 2020, including 35 seasonal Night Markets, 12 community events/festivals and 16 third party events
- An expanded programming calendar, with community/third party events doubling in 2019-20. New events included the Dumpling Festival, African Festival, Sustainable Living Festival, Australia Day celebrations, Salam Fest and Cities Glendi
- The Market was set to host the Melbourne Food and Wine Festival in March 2020, however due to the COVID-19 pandemic, it has been rescheduled to 2021. A new partnership was also formed with the Victorian Multicultural Commission, which was to combine Victoria's Multicultural Festival with the Melbourne Food and Wine Festival finale
- The Holey Cheese Festival was held for the second time, helping attract 187,068 people to the Market across the six-day event
- Successful activation of Upper A Shed, including the Melbourne Book Market and to complement cultural festival activity on Queen Street
- Collaboration with the City of Melbourne to feature QVM as part of the 2019 Melbourne Music Week and Melbourne Fashion Week. QVM also hosted Mod Markit, Australia's BIGGEST pop-up market celebrating modest fashion. Other collaborations involved large-scale installations.

## SAFETY, OPERATIONS & PHYSICAL ENVIRONMENT

Further progress was made in 2019-20 to improve safety across the precinct, as well as enhancing operations and the Market's physical environment. There were also significant achievements in improving the Market's environmental sustainability.

Highlights included:

- Implementation of a new occupational health and safety management system
- Development and implementation of a new three-year QVM Sustainability Plan, setting environmental objectives, targets and actions to improve the Market's environmental performance. In 2019-20 recycling rates increased from 53% to 72%, electricity consumption reduced in common areas by 5%, in the Meat & Fish Hall by 15% and in QVM offices by 8%
- A range of services tendered and contracted, including electrical services, fire services, mechanical services and landscaping services
- Appointment of a new cleaning and waste collection services contractor in late 2019, which has contributed to a significant decrease in the amount of waste diverted to landfill and increased recycling
- A range of hostile vehicle measures introduced throughout the Market precinct to mitigate terrorism related risks
- Detailed asset audit of the buildings and infrastructure across the Market
- Completion of a range of compliance projects/improvement works, including mechanical, electrical and fire services in Q1; improvements to the Meat and Fish Hall; String Bean Alley lighting upgrades; and enhancements to the Queen Street Toilet Block Baby Change Room
- Design and procurement for the Precinct Wide Vehicles Management system project.



# YEAR IN REVIEW · 2019-20 HIGHLIGHTS

## BUSINESS & GOVERNANCE

A range of governance and business-related improvements occurred in 2019-20 to enhance accountability and reporting lines, and to support business efficiencies, priorities and the day-to-day management of the Market.

Highlights included:

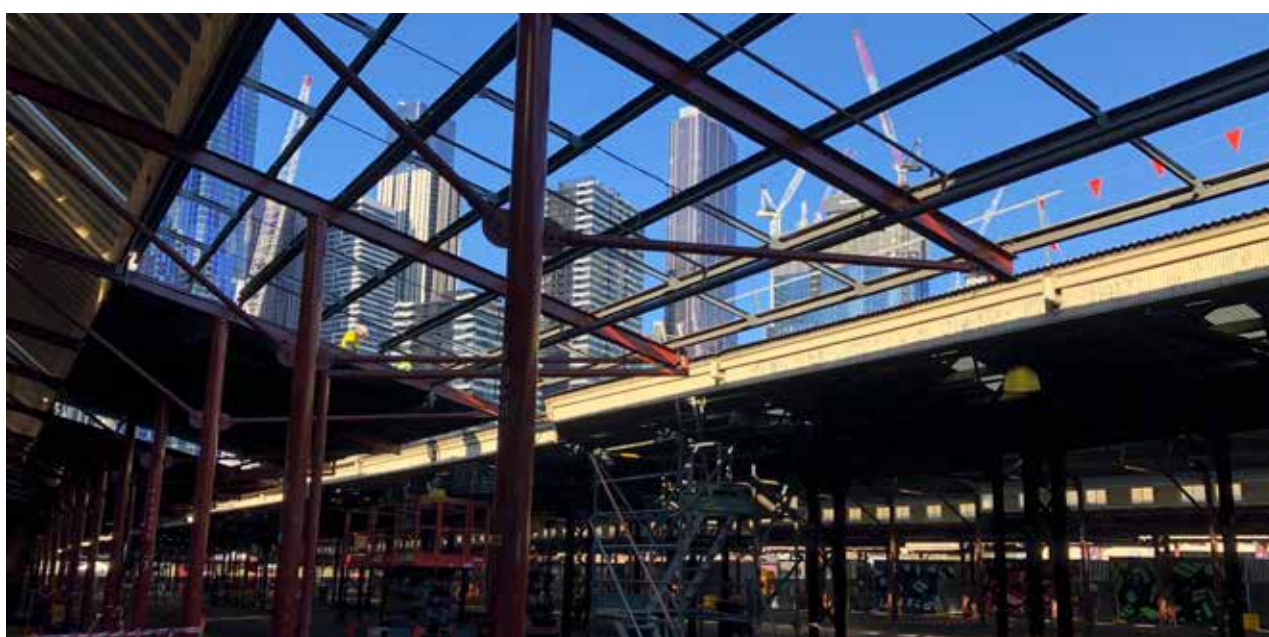
- Di Laws appointed to the QVM Pty Ltd Board of Directors in October 2019
- New reporting arrangements for the Renewal Program embedded and refined, including revised reporting arrangements for the Renewal Committee, which now reports to the QVM Pty Ltd Board
- Changes to the QVM Pty Ltd management structure to better meet the needs of the business and operational requirements of the Market, and to support revised governance arrangements and the Renewal Program
- Addition of Board/Committee Secretariat support to ensure appropriate support with the additional governance oversight of the Renewal Program
- A range of system and process enhancements to improve business efficiency, including Salesforce integration and enhancements to functionality
- Cyber security enhancements
- Implementation of a revised staff Performance Development Review policy and process.

## QVM PRECINCT RENEWAL

Throughout 2019-20 QVM Pty Ltd continued to work in partnership with the City of Melbourne's QVM Precinct Renewal (QVMPR) team to scope, plan and deliver Renewal Program projects.

Highlights included:

- Intensive work with the QVMPR team and traders to inform the requirements of many important Renewal projects for the Market, traders and customers
- Two QVM Pty Ltd people resources to help progress and support the Renewal Program
- Opening of the revitalised String Bean Alley with 26 unique retailers in bespoke shipping containers, with 76 expressions of interest received
- Following approval from Heritage Victoria, restoration of the Market's heritage sheds commenced onsite in May 2020. The first stage in J-M Sheds was accelerated while the sheds were largely empty due to the closure of non-food market stalls under government COVID-19 restrictions. The restoration program is expected to be complete in mid-2022, reducing disruption to traders and customers compared to the original program
- Plans for two purpose built trader facilities were submitted to the responsible authorities. The proposed Trader Shed and Northern Shed will deliver essential infrastructure for traders and make the Market a safer place to work and shop
- Agreement with City of Melbourne for QVM Pty Ltd to recruit and manage the retail/hospitality tenancies in the Munro Community Hub.





# FINANCIAL STATEMENTS

At the end of February 2020, QVM Pty Ltd was \$518,017 ahead of the year-to-date budget and forecasting an overall profit in excess of \$650,000. In 2019, there was an improvement to the profitability of the Company, which followed a decline in profitability since 2011, with significant deterioration in 2016/17 and gradual improvement year-on-year since then.

However since the introduction of COVID-19 restrictions in late March 2020, QVM Pty Ltd's financial position in 2019-20 has been significantly impacted as follows:

- An average 90% drop in revenue from April to July, largely due to reduced car park usage, trader rent relief and the cancellation of all events
- Due to a lack of revenue, all of QVM Pty Ltd's approximately \$3 million in financial reserves have been drawn upon to cover costs to continue operating and managing the Market. These funds had been set aside for investment into the Market
- QVM Pty Ltd recorded an 'accounting' profit of \$483,638 in 2019-20, however this was the result of a \$1.9 million Quick Response Grant from the City of Melbourne to assist with trader rent relief and an accounting adjustment for treatment of rent relief under Accounting Standard AASB 16 which increased profit by \$1.576 million but had no such positive impact on cash flow. Without these positive impacts the operating loss for 2019-20 was \$2.99 million
- COVID-19 is expected to have a significant impact on the principal activities of QVM Pty Ltd in 2020-21. QVM Pty Ltd's ability to generate revenue is likely to be constrained with the 2020-21 budget profit before tax, as compared to a budget without the impact of COVID-19, as demonstrated below:

Revenue	Budget 2020/21 with COVID	Budget 2020/21 non-COVID	Variance
Market rent	9,523,852	17,505,040	(7,981,188)
Car park	3,290,350	4,409,174	(1,118,824)
Bar sales	930,476	1,535,025	(604,549)
Other	227,617	239,802	(12,185)
Total revenue	13,972,295	23,689,041	(9,716,746)



**Financial Statements for Queen Victoria Market Pty Ltd  
for the year ended 30 June 2020**

ACN: 069 959 771

## Contents

<b>Directors Report</b>	<b>A</b>	<b>DIRECTORS REPORT</b>	<b>1</b>
<b>Auditors Independence</b>	<b>B</b>	<b>AUDITORS DECLARATION OF INDEPENDENCE</b>	<b>3</b>
<b>Directors Declaration</b>	<b>C</b>	<b>DIRECTORS DECLARATION</b>	<b>4</b>
<b>Financial Statements</b>		Statement of Profit or Loss and Other Comprehensive Income	5
		Statement of Financial Position	6
		Statement of Changes in Equity	7
		Statement of Cash Flows	8
<b>Notes to the Financial Statements</b>	<b>1.</b>	<b>ABOUT THIS REPORT</b>	
	1.1	Basis of Preparation	9
	1.2	Critical Accounting Estimates and Judgements	9
	1.3	Going Concern	9
	<b>2.</b>	<b>PERFORMANCE AGAINST BUDGET</b>	
	2.1	Revenue and Expenditure	11
	2.2	Explanation of Material Variations	12
	<b>3.</b>	<b>OUR REVENUE</b>	
	3.1	Market Rental Revenue	13
	3.2	Other Revenue	13
	<b>4.</b>	<b>THE COST OF OUR OPERATIONS</b>	
	4.1	Employee Benefits and Employee Provisions	14
	4.2	Contracted Expenses	15
	4.3	Materials & Services	16
	4.4	Depreciation	16
	4.5	Utilities	16
	4.6	Other Expenses	16
	<b>5.</b>	<b>ASSETS AVAILABLE TO SUPPORT OUR FUNCTIONS</b>	
	5.1	Cash and Cash Equivalents	17
	5.2	Reconciliation of Cash Flows from Operating Activities	17
	5.3	Property, Plant and Equipment	18
	5.4	Right of Use Assets	20
	<b>6.</b>	<b>OTHER ASSETS AND LIABILITIES</b>	
	6.1	Other Financial Assets	21
	6.2	Trade and Other Receivables	21
	6.3	Other Assets	22
	6.4	Trade and Other Payables	22
	6.5	Accrued Expenses	22
	6.6	Refundable Deposits	23
	6.7	Lease Liability	23
	<b>7.</b>	<b>OUR CAPITAL STRUCTURE</b>	
	7.1	Contributed Equity	25
	<b>8.</b>	<b>TAXATION</b>	
	8.1	Income Tax	26
	8.2	Deferred Tax	26



<b>9. MANAGING RISKS AND UNCERTAINTIES</b>		
9.1	Financial Instruments	27
9.2	Commitments	28
9.3	Contingencies and Contingent Liabilities	29
<b>10. OTHER DISCLOSURES</b>		
10.1	Key Management Personnel Compensation	30
10.2	Related Party Information	30
10.3	Events after the Reporting Date	31
10.4	Change in Accounting Policies and Disclosures	31
10.5	Market Renewal	32
10.6	Trader Support Program & Fund	33
<b>Independent Audit Report</b>	<b>D AUDIT OPINION</b>	<b>34</b>

## A. DIRECTORS REPORT

The directors present their report on Queen Victoria Market Pty Ltd for the financial year ended 30 June 2020

### Information on Directors:

The names of each person who has been a director during the year and to the date of this report are:

Jane Fenton AM  
 Jane Hodder  
 Patrick Burroughs  
 Michael Tenace  
 Rob Adams AM  
 Dianne Laws (appointed 10/10/19)

### Principal Activities:

During the year the principal activity of the company has been the management of the Queen Victoria Market. There is no significant change in activity from that of last year.

### Operating Results:

At the end of February 2020 the Company was \$518,017 ahead of the year to date budget and forecasting an overall profit in excess of \$650,000.

Since State and Federal Government imposed restrictions in March 2020 due to COVID-19, the Company recorded a significant drop in customer visitation to the market. International tourism all but ceased and "stay at home orders" meant that local customers limited their market visits to shopping for essential needs only. Restrictions on non-essential large gatherings were enacted on 13 March 2020 which meant the cancellation of all market events, significantly the much anticipated Melbourne Food and Wine Festival scheduled to commence in late March was postponed and the Europa Night Market (April / May) and Winter Night Market (June-August) were cancelled. State Government Stage 3 restrictions were introduced on 25 March 2020 which mandated the closure of all non-food market stalls which marked the closure of general merchandise traders in the open sheds. Limitations were also placed on hospitality traders who were restricted to providing take away services only. The restrictions and downturn in customer visitation led to the majority of hospitality and non-food leasehold traders electing to close during Stage 3 restrictions.

As a response to the significant downturn in market operations the Company has implemented strict expense reduction measures including a 44% reduction in its permanent workforce from May 2020 through decreased hours for all employees and with 7 employees being stood down from events and tourism based roles, a 50% reduction in Director Fees from April 2020, an evaluation and reduction in major contracted expenses such as cleaning, waste and security services, a 90% reduction in head office rent from May 2020 and ceasing all discretionary expenditure. In conjunction with the City of Melbourne a Trader Support Package was implemented that provided all traders 100% rent relief from 1 April 2020 for an initial period of 3 months resulting in foregone revenue to the company totalling \$3,600,000.

The City of Melbourne provided the Company a \$1,900,000 Quick Response Grant to assist with the provision of trader rent relief (see Note 1.3 for further detail).

The Company recorded an accounting profit of \$483,638 in 2020, a slight increase compared to \$306,193 in 2019. The accounting profit is positively impacted by the \$1,900,000 City of Melbourne Grant and \$1,576,000 lease modification (see Note 3.3 for further detail). Without these the Company would have incurred a loss of \$2,992,362 for the year.

### Likely Developments:

The impact of COVID-19 restrictions is expected to have a significant impact on the principal activities of the business during 2020/21. The company's ability to generate revenue is likely to be constrained with the 2020/21 budget profit before tax, as compared to a budget without the impact of COVID-19, demonstrated below:

	Budget 2020/21	Budget Non COVID-19	Variance
<b>Revenue</b>			
Market Rental	9,523,852	17,505,040	(7,981,188)
Car Parking	3,290,350	4,409,174	(1,118,824)
Bar Sales	930,476	1,535,025	(604,549)
Other Revenue	1,204,417	1,216,602	(12,185)
<b>Total Revenue</b>	<b>14,949,095</b>	<b>24,665,841</b>	<b>(9,716,746)</b>

**A. DIRECTORS REPORT (Continued)****Expenses**

Employee Costs	6,622,536	7,622,608	1,000,072
Contracted Expenses	6,547,955	7,025,087	477,132
Materials & Services	3,877,155	4,441,633	564,478
Depreciation	762,954	762,954	0
Utilities	1,898,640	1,898,640	0
Other Expenses	2,134,406	2,482,348	347,942
Total Expenses	<b>21,843,646</b>	<b>24,233,270</b>	<b>2,389,624</b>
Profit / (Loss)	<b>(6,894,551)</b>	<b>432,571</b>	<b>(7,327,122)</b>

Continued rent relief to traders is expected to total \$7,981,188 which is reflected in the decreased Market Rental Revenue above.

COVID-19 restrictions on large gatherings is expected to prevent the ability to hold Night Markets and Events until at least December 2020 and is expected to have a negative impact on profit of \$1,627,941 which is included in the numbers above.

Efforts to reduce expenses to offset the reduced revenues include:

- Reduction in hours for employees to continue into 2020/21
- Reduction in head count
- Reduction in directors fees to continue into 2020/21
- Review of all major contracts (including cleaning & waste, security, car park management) to renegotiate contracted rates
- Removal of expenses of a discretionary nature

To mitigate losses expected support from the company's shareholder, the City of Melbourne, has been agreed and will be via a Funding Agreement that provides a convertible loan of up to \$9,299,000 during 2020/21.

This agreement is expected to be executed by the end of August 2020.

**Dividends paid or recommended:**

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

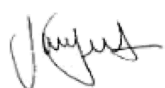
**Indemnification and insurance of auditors:**

Queen Victoria Market holds valid Directors and Officers Liability Insurance via Zurich Australia. No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor of Queen Victoria Market Pty Ltd.

**Auditors Independence Declaration:**

A copy of the Auditor's Independence Declaration as required until section 307C of the Corporations Act 2001 is included on page 3 of this financial report and forms part of the Director's Report.

Signed in accordance with a resolution of the Directors



Jane Fenton AM  
Chair of Board



Patrick Burroughs  
Director

20th August 2020



## Auditor-General's Independence Declaration

### To the Directors, Queen Victoria Market Pty Ltd

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General, an independent officer of parliament, is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised.

Under the *Audit Act 1994*, the Auditor-General is the auditor of each public body and for the purposes of conducting an audit has access to all documents and property, and may report to parliament matters which the Auditor-General considers appropriate.

### *Independence Declaration*

As auditor for Queen Victoria Market Pty Ltd for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of auditor independence requirements of the *Corporations Act 2001* in relation to the audit.
- no contraventions of any applicable code of professional conduct in relation to the audit.

MELBOURNE  
31 August 2020



Sanchu Chummar

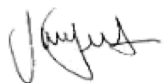
*as delegate for the Auditor-General of Victoria*

## DIRECTORS' DECLARATION

In the opinion of the Directors of Queen Victoria Market Pty Ltd:

1. The financial statements and associated notes of Queen Victoria Market Pty Ltd are in accordance with the *Corporations Act 2001*, including:
  - i. Giving a true and fair view of its financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
  - ii. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards
2. As a result of the financial support provided by The City of Melbourne, there are reasonable grounds to believe that Queen Victoria Market Pty Ltd will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Jane Fenton AM  
Chair of Board



Patrick Burroughs  
Director

20th August 2020

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

		2020 \$	2019 \$
	Notes		
<b>Revenue:</b>			
Market Rental Revenue	3.1	14,525,635	16,934,831
Car Parking Fee Revenue		3,759,327	4,256,885
Bar Sales		1,335,371	1,781,682
City of Melbourne Grant		1,900,000	770,000
Other Revenue	3.2	1,233,510	1,285,263
<b>Total Revenue</b>		<b>22,753,843</b>	<b>25,028,661</b>
<b>Expenditure:</b>			
Employee Costs	4.1(a)	6,704,383	6,904,436
Contracted Expenses	4.2	6,307,573	6,508,561
Materials & Services	4.3	4,753,821	6,556,261
Depreciation	4.4	821,828	936,952
Amortisation - Right of Use Assets	5.4	153,771	0
Utilities	4.5	1,804,464	1,980,913
Finance Costs - Leases	6.7	7,206	0
Other Expenses	4.6	1,696,881	1,861,380
<b>Total Expenditure</b>		<b>22,249,927</b>	<b>24,748,503</b>
<b>Profit before income tax</b>		<b>503,916</b>	<b>280,158</b>
Income Tax Equivalent Expense	8.1	20,278	(26,035)
<b>Profit for the year</b>		<b>483,638</b>	<b>306,193</b>
<b>Total Comprehensive Income for the year</b>		<b>483,638</b>	<b>306,193</b>

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.



**Statement of Financial Position**

As at 30 June 2020

		2020 \$	2019 \$
	<b>Notes</b>		
<b>Current Assets</b>			
Cash & Cash Equivalents	5.1	1,559,791	771,301
Other Financial Assets	6.1	1,750,000	2,750,000
Trade & Other Receivables	6.2	2,005,265	962,924
Other Assets	6.3	229,862	305,053
<b>Total Current Assets</b>		<b>5,544,918</b>	<b>4,789,278</b>
<b>Non-Current Assets</b>			
Deferred Income Tax Equivalent Assets	8.2	398,281	418,559
Property, Plant & Equipment	5.3	2,307,083	2,526,095
Right of Use Assets	5.4	157,742	0
<b>Total Non-Current Assets</b>		<b>2,863,106</b>	<b>2,944,654</b>
<b>Total Assets</b>		<b>8,408,024</b>	<b>7,733,932</b>
<b>Current Liabilities</b>			
Trade & Other Payables	6.4	487,869	654,796
Accrued Expenses	6.5	1,416,437	827,398
Refundable Deposits	6.6	187,721	188,214
Employee Provisions	4.1(b)	1,034,821	1,105,160
Lease Liabilities	6.7	156,222	0
Unearned Revenue		15,962	368,502
<b>Total Current Liabilities</b>		<b>3,299,032</b>	<b>3,144,070</b>
<b>Non-Current Liabilities</b>			
Refundable Deposits	6.6	1,689,486	1,693,924
Employee Provisions	4.1(b)	240,252	200,322
<b>Total Non-Current Liabilities</b>		<b>1,929,738</b>	<b>1,894,246</b>
<b>Total Liabilities</b>		<b>5,228,770</b>	<b>5,038,316</b>
<b>Net Assets</b>		<b>3,179,254</b>	<b>2,695,616</b>
<b>Equity</b>			
Contributed Equity	7.1	200,000	200,000
Retained Earnings		2,979,254	2,495,616
<b>Total Equity</b>		<b>3,179,254</b>	<b>2,695,616</b>

The Statement of Financial Position should be read in conjunction with the accompanying notes.

**Statement of Changes in Equity****For the year ended 30 June 2020**

		<b>2020</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>
	<b>Notes</b>		
<b>Contributed Equity</b>	7.1	<u><b>200,000</b></u>	<u><b>200,000</b></u>
<b>Retained Earnings</b>			
Opening Balance		2,495,616	2,189,423
Total Comprehensive Income/ (Loss) for the year		483,638	306,193
<b>Total Retained Earnings at the end of the Financial Year</b>		<u><b>2,979,254</b></u>	<u><b>2,495,616</b></u>

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

## Statement of Cash Flows

For the year ended 30 June 2020

		2020	2019
		\$	\$
	Notes	Inflows/ (Outflows)	Inflows/ (Outflows)
<b>Cash flows from Operating Activities</b>			
Receipts from customers		21,409,954	26,875,577
City of Melbourne Grant		1,900,000	770,000
Payments to employees and suppliers		(21,935,893)	(24,958,775)
Security Deposits received/(refunded)		(9,689)	11,720
GST paid to Australian Taxation Office		(697,870)	(1,069,579)
<b>Net cash provided by Operating Activities</b>	5.2	<u>666,502</u>	<u>1,628,943</u>
<b>Cash flows from Investing Activities</b>			
Proceeds from sale of property, plant and equipment		0	5,625
Payment for property, plant and equipment		(792,413)	(380,695)
Term Deposit		1,000,000	(1,000,000)
Interest received		75,378	25,277
<b>Net cash flows provided by/(used) in Investing Activities</b>		<u>282,965</u>	<u>(1,349,793)</u>
<b>Cash flows from Financing Activities</b>			
Interest paid - Lease Liabilities		(7,206)	0
Repayment of Lease Liabilities		(153,771)	0
<b>Net cash flows used in Financing</b>		<u>(160,977)</u>	<u>0</u>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>788,490</b>	<b>279,150</b>
Cash at the beginning of financial year		771,301	492,151
<b>Cash and Cash Equivalents at end of year</b>	5.1	<u>1,559,791</u>	<u>771,301</u>

The Statement of Cash Flows should be read in conjunction with the accompanying notes.



## 1. ABOUT THIS REPORT

Queen Victoria Market is a proprietary company incorporated under the Corporations Act 2001, and is domiciled in Australia. The Company's registered office and principal place of business is Level 8, 365 Queen Street, Melbourne, VIC 3000.

The principal activity of the company has been the Management of the Queen Victoria Market.

### Structure

1.1 Basis of Preparation

1.2 Critical accounting estimates and judgments

1.3 Going concern basis

#### 1.1 Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the Corporations Act 2001.

These financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for the purpose of preparing the financial statements.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Significant accounting policies adopted in the preparation of these financial statements are presented in the accounting treatment area of the relevant notes and are consistent with prior reporting periods unless otherwise stated.

This is the first set of Queen Victoria Market Pty Ltd's annual financial statements in which AASB 16 Leases have been applied.

#### 1.2 Critical accounting estimates and judgments

In application of the Company's accounting policies, the Company is required to make judgements, estimates and assumptions about carrying values of certain assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision and future periods if the revision affects both current and future periods

The functional and presentation currency of the Company is Australian Dollars, with all amounts rounded to the nearest dollar.

#### 1.3 Going concern basis

When preparing financial reports, directors shall make an assessment of an entity's ability to continue as a going concern. When directors are aware, in making their assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed.

#### Letter of Comfort:

The City of Melbourne has provided the Board with two letters of comfort confirming:

1. That the City of Melbourne will provide the Queen Victoria Market Pty Ltd with the necessary financial support to enable it to meet its obligations during the renewal of the market. The renewal has commenced and is outlined more fully in note 10.5; and
2. That the City of Melbourne will provide the Queen Victoria Market Pty Ltd with the financial support via a Funding Agreement to ensure it remains solvent during the funding period and to ensure the continuation of the going concern status of the company. The Funding Agreement is detailed below.

**1. ABOUT THIS REPORT (continued)****Funding Agreement:**

Due to the likely ongoing financial impacts of the COVID-19 restrictions on market visitation and operations the City of Melbourne, as the company's shareholder, has agreed to enter into a Funding Agreement with Queen Victoria Market Pty Ltd to provide financial support to the company by subscribing for Preference Shares and providing a Convertible Loan. The purpose of this agreement is to ensure the company remains solvent during the funding period and to ensure the continuation of the going concern status of the company.

The funding period expires 30 June 2021 with repayment of the convertible loan to be completed over 5 years. The funding agreement requires the loan to be converted to preference shares to the extent necessary to ensure the Company has positive shareholder funds at 31st December 2020 and 30th June 2021. The Company's constitution requires the issue of Preference Share to be approved by the State Minister and Treasurer which was requested by the City of Melbourne on 2 July 2020. This agreement is expected to be executed by the end of the 2020 calendar year.

**City of Melbourne Grant:**

Queen Victoria Market Pty Ltd were the recipient of a City of Melbourne Quick Response Grant of \$1,900,000 (2018-19 \$770,000). This Grant was provided to assist the company in its commitment to providing all market traders with 100% rent relief for the period April – June 2020 as part of the COVID-19 Trader Support Package.

## 2. PERFORMANCE AGAINST BUDGET

### Introduction to this section

This note compares actual to budget performance for both revenue and expenditure. The budget figures detailed below are those adopted by the directors of Queen Victoria Market. The budget was based on assumptions that were relevant at the time of the adoption of the budget.

Queen Victoria Market sets guidelines and parameters for revenue and expense targets in this budget in order to meet performance targets.

### Structure

2.1 Revenue and Expenditure

2.2 Explanation of material variations

	2020 \$	2020 \$	2020 \$		
<b>Note 2.1 Revenue and Expenditure</b>					
	Budget	Actual	Variance	%	Ref
<b>Revenue:</b>					
Market Rental Revenue	17,155,492	14,525,635	(2,629,857)	-18%	1
Car Parking Fee Revenue	4,357,335	3,759,327	(598,008)	-16%	2
Bar Sales	1,780,237	1,335,371	(444,866)	-33%	3
City of Melbourne Grant	0	1,900,000	1,900,000	100%	4
Other Revenue	1,079,004	1,233,510	154,506	13%	5
<b>Total Revenue</b>	<b>24,372,068</b>	<b>22,753,843</b>	<b>(1,618,225)</b>	<b>-7%</b>	
<b>Expenditure:</b>					
Employee Costs	6,937,463	6,704,383	233,080	3%	6
Contracted Expenses	6,841,425	6,307,573	533,852	8%	7
Materials & Services	5,390,351	4,753,821	636,530	13%	8
Depreciation	1,012,091	821,828	190,263	23%	9
Amortisation - Right of Use Assets	0	153,771	(153,771)	-100%	10
Utilities	1,996,440	1,804,464	191,976	11%	11
Finance Costs - Leases	0	7,206	(7,206)	-100%	12
Other Expenses	2,050,546	1,696,881	353,665	21%	13
<b>Total Expenditure</b>	<b>24,228,316</b>	<b>22,249,927</b>	<b>1,978,389</b>	<b>9%</b>	
<b>Profit for the year</b>	<b>143,752</b>	<b>503,916</b>	<b>360,164</b>	<b>71%</b>	

See next page for explanation of material variances.



**Note 2.2 Explanation of material variations**

Ref.	Item	Explanation
1	Market Rental Revenue	Rent relief for traders due to COVID-19 from 20th March - 30th June 2020, offset by AASB 16 lease modification accounting entry for Leasehold traders. See Note 3.3 and 6.2
2	Car Parking Fee Revenue	Reduced carpark throughput due to COVID-19 from 20th March - 30th June 2020, also 1 hour free parking has been granted to increase patronage.
3	Bar Sales	Cancellation of Autumn and Winter Night Markets due to COVID-19.
4	City of Melbourne Grant	refer Note 1.3
5	Other Revenue	Unbudgeted ice sales to traders and on-charges
6	Employee Costs	Since April 2020, full time staff have been on reduced hours and casuals not required due to COVID-19.
7	Contracted Expenses	Reduced cleaning and security required due to renewal works and COVID-19 restrictions, plus cancellation of the Autumn and Winter Night Markets. Rent expense now recorded as Amortisation - ROU Assets.
8	Materials & Services	Reduced repairs & maintenance due to shed restoration works and COVID-19.
9	Depreciation	Inline with the Company's capitalisation policy as per Note 5.3(a)
10	Amortisation - ROU Assets	New accounting standard AASB 16, as per Note 5.4
11	Utilities	Lower than expected power and water charges.
12	Finance Costs - Leases	New accounting standard AASB 16, as per Note 6.7
13	Other Expenses	Land Tax waived from 1 January to 30 June 2020 due to the Munro site construction and QVM Directors on 50% reduced salary since April 2020 due to COVID-19.

### 3. OUR REVENUE

#### Introduction to this section

The company's objective is to establish and maintain relationships with small business operators and the Greater City of Melbourne community to ensure that Queen Victoria Market is the premier market in Victoria and Australia and one of the premier historic markets around the world.

Queen Victoria Market receives the majority of its income from leasehold, market rentals, car parking and bar sales.

#### Structure

3.1 Market Rental Revenue

3.2 Other Revenue

	2020 \$	2019 \$
<b>Note 3.1 Market Rental Revenue</b>		
Leasehold	7,176,409	6,978,922
Open Stands	5,766,518	7,387,231
Night Market	1,267,777	1,750,166
Casual Market Rentals	145,742	579,861
Venue Hire	169,189	238,651
<b>Total Market Rental Revenue</b>	<b>14,525,635</b>	<b>16,934,831</b>

Rent relief (or waiver of rent) provided to leasehold traders for the period April – June 2020 of \$1,839,000 gave rise to a lease modification in accordance with AASB 16 Leases. This lease modification requires the rent relief to be amortised over the remaining term of the lease. Most trader leases have an expiry date of December 2021 therefore this rent relief will be amortised on a straight line basis across the period April 2020 – December 2021. The impact to the 2020 results is \$262,714 reduced rental and \$1,576,286 recognised as Accrued Income (see Note 6.2) to be amortised in future years.

Open Stands are recognised on a straight-line basis over the term of the agreement. All other rentals are recognised as revenue when performance obligations are satisfied.

#### Note 3.2 Other Revenue

Utility & Rates Recoveries	920,593	1,054,792
Walking Tour & Busking Fees	124,869	138,481
Sponsorship	9,750	10,130
Interest Revenue	26,482	25,277
Other Revenue	151,816	56,583
<b>Total Other Revenue</b>	<b>1,233,510</b>	<b>1,285,263</b>

In line with AASB 15 Revenue from Contracts with Customers, revenue is recognised when (or as) a performance obligation is satisfied at the amount of the transaction price that is allocated to that performance obligation.

Other Revenue is measured at the fair value of the consideration received or receivable and is recognised when Queen Victoria Market Pty Ltd gains control over the right to receive the income.

## 4. THE COST OF OUR OPERATIONS

### Introduction to this section

For the Queen Victoria Market to deliver its services to the high standards expected by our community & stakeholders, a diverse and skilled workforce is paramount. Whether it's providing traders with continuous service, creating a safe and enjoyable environment for visitors to the market, providing must see events for the community like the Summer and Winter Night Markets, Queen Victoria Market is proud to have a workforce that's committed to creating and maintaining a vibrant, healthy, sustainable market.

### Structure

- 4.1 Employee benefits and employee provisions
- 4.2 Contracted Expenses
- 4.3 Materials & Services
- 4.4 Depreciation
- 4.5 Utilities
- 4.6 Other Expenses

	2020 \$	2019 \$
<b>Note 4.1(a) Employee benefits and employee provisions</b>		
Wages & Salaries	5,787,071	5,959,848
Superannuation	554,722	578,312
Payroll Tax	293,811	285,839
Workcover	51,331	39,895
Training	17,448	40,542
<b>Total Employee Costs</b>	<b>6,704,383</b>	<b>6,904,436</b>

### Superannuation

Queen Victoria Market Pty Ltd makes employer superannuation contributions to employees' complying accumulation superannuation funds. Obligations for contributions are recognised as an expense in profit or loss when they are incurred.

### Accumulation Fund

The accumulation funds, (including the Local Authorities Superannuation fund's accumulation category, Vision Super Saver), receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (9.50% required under Superannuation Guarantee Legislation). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of each individual fund.

### Defined Benefit Plan

Queen Victoria Market does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan. Contributions are determined by the Trustee on the advice of the Fund's Actuary.

Queen Victoria Market has one employee that qualifies for the defined benefit plan.

**Notes to the Financial Report continued**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Note 4.1(b) Employee Provisions</b>		
<b>Current expected to be wholly settled within 12 months</b>		
Annual leave	355,459	389,621
Long service leave	92,091	96,683
	<b>447,550</b>	<b>486,304</b>
<b>Current expected to be wholly settled after 12 months</b>		
Annual leave	65,423	70,988
Long service leave	521,848	547,868
	<b>587,271</b>	<b>618,856</b>
<b>Total Current balance</b>	<b>1,034,821</b>	<b>1,105,160</b>
<b>Non-Current Provision:</b>		
Long service leave	240,252	200,322
<b>Total Employee Provisions</b>	<b>1,275,073</b>	<b>1,305,482</b>

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and other employee benefits when it is probable that settlement will be required and they are capable of being measured reliably through the method below:

- Short-term employee benefits - measured at their nominal values using the remuneration rate expected to apply at the time of settlement plus related on costs in respect of employees' services up to reporting date.
- Long-term employee benefits - measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to the reporting date. Re-measurements are recognised in profit or loss in the period in which they arise.

**Critical accounting estimates and judgements**

For long-term employee benefits: The calculation of the present value of the estimated future cash outflows requires the following key assumptions:

	<b>2020</b>	<b>2019</b>
<b>Estimates and Judgements</b>		
Discount Rate	0.5% - 1.25%	1.2% - 1.5%
Inflation Rate	4.25%	4.31%
Settlement Period	7 years	7 years

**Note 4.2 Contracted Expenses**

Cleaning	4,631,583	4,653,941
Security	1,067,329	1,094,192
Car Park Management	335,913	354,476
Software Maintenance	272,748	231,134
Rent Expense	0	174,818
<b>Total Contracted Expenses</b>	<b>6,307,573</b>	<b>6,508,561</b>

Rent Expenses: AASB 16 now includes Lease expenses via amortisation - see Note 5.4. Expenses are recognised in the reporting period in which they are incurred.



**Notes to the Financial Report continued**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Note 4.3 Materials &amp; Services</b>		
Advertising & Marketing	1,407,185	1,722,547
Repairs & Maintenance	955,893	1,841,486
Consultants	525,801	661,703
COGS - Bar Stock	412,419	501,656
Equipment Hire	391,133	511,080
Insurance	304,632	275,045
Catering & Entertainment	231,433	335,213
Contractors	219,658	326,849
Legal Fees	192,546	239,100
Workshop Supplies	113,121	141,582
<b>Total Materials &amp; Services</b>	<b><u>4,753,821</u></b>	<b><u>6,556,261</u></b>
<b>Note 4.4 Depreciation</b>		
Computer Equipment	393,302	531,661
Leasehold Improvements	156,154	151,360
Plant & Equipment	165,540	141,421
Furniture & Fittings	94,662	101,348
Motor Vehicles	12,170	11,162
<b>Total Depreciation</b>	<b><u>821,828</u></b>	<b><u>936,952</u></b>
<b>Note 4.5 Utilities</b>		
Electricity	1,143,478	1,294,616
Water	279,371	275,027
Rates	230,580	249,010
Telephone	131,775	127,462
Gas	19,260	34,798
<b>Total Utilities</b>	<b><u>1,804,464</u></b>	<b><u>1,980,913</u></b>
<b>Note 4.6 Other Expenses</b>		
Congestion Levy	962,802	962,415
Directors Fees	205,793	224,374
Land Tax	168,297	315,937
Administration Expenses	41,721	60,225
Audit Fees - Internal	45,251	43,859
Audit Fees - VAGO audit of Financial Statements	20,000	20,000
Bad & Doubtful Debts	38,708	(1,434)
Loss (Gain) on Disposal	0	(5,625)
Other Expenses	214,309	241,629
<b>Total Other Expenses</b>	<b><u>1,696,881</u></b>	<b><u>1,861,380</u></b>

## 5. ASSETS AVAILABLE TO SUPPORT OUR FUNCTIONS

### Introduction to this section

Queen Victoria Market controls infrastructure and other investments that are utilised in achieving its objectives, conducting its activities and fulfilling its projects.

### Structure

5.1 Cash and cash equivalents

5.2 Reconciliation of cash flows from Operating Activities

5.3 Property, plant and equipment

5.4 Right of Use Assets

	2020	2019
	\$	\$
<b>Note 5.1 Cash &amp; Cash Equivalents</b>		
Cash at bank	1,426,489	618,902
Tenant security deposits - at bank	124,322	127,939
Bar float	0	15,000
Car park float	8,980	8,460
Cash float	0	1,000
<b>Total Cash &amp; Cash Equivalents</b>	<b>1,559,791</b>	<b>771,301</b>

Cash at bank attracts interest rates of 0 - 0.20% (2019: 0 - 0.55%).

Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and on hand. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash as defined above.

Cash at the end of the financial year, as shown in the Statement of Cash Flows, is reconciled to the related items in the balance sheet as follows.

### Note 5.2 Reconciliation of net cash provided by operating activities to net profit after income tax equivalents

	2020	2019
	\$	\$
Net Profit after Tax	483,638	306,193
Interest revenue	(26,482)	(25,277)
<b>Non cash flows in operating activities</b>		
Depreciation	821,828	936,952
Lease Liabilities - Amortisation Charges	153,771	0
Profit on Disposal of Property, Plant and Equipment	0	(5,625)
Doubtful Debts	(38,708)	(20,736)
	<b>1,394,047</b>	<b>1,191,507</b>
<b>Changes in operating assets and liabilities</b>		
(Increase)/Decrease in Trade Debtors/Related Parties	690,746	188,657
(Increase)/Decrease in Prepayments	93,738	67,144
(Increase)/Decrease in Inventory	(18,547)	(5,129)
(Increase)/Decrease in Other Debtors	(1,547,986)	48,005
(Increase)/Decrease in Deferred Tax Asset	20,278	(26,035)
(Decrease)/Increase in Trade Creditors/Related Parties	28,931	98,147
(Decrease)/Increase in Accrued and Other Creditors	393,175	(76,164)
(Decrease)/Increase in Unearned Income	(352,540)	23,571
(Decrease)/Increase in Employee Benefits	(30,409)	107,520
(Decrease)/Increase in Security Deposits	(4,931)	11,720
<b>Net cash inflow/(outflow) from operating activities</b>	<b>666,502</b>	<b>1,628,943</b>

## Notes to the Financial Report continued

	2020	2019
	\$	\$
<b>Note 5.3 Property, Plant &amp; Equipment</b>		
<i><u>Plant &amp; Equipment</u></i>		
At cost	2,289,329	1,971,019
Accumulated depreciation	(1,900,647)	(1,735,107)
<b>Balance as at 30 June</b>	<b>388,682</b>	<b>235,912</b>
<i><u>Furniture &amp; Fittings</u></i>		
At cost	1,522,526	1,520,112
Accumulated depreciation	(1,425,430)	(1,330,224)
<b>Balance as at 30 June</b>	<b>97,096</b>	<b>189,888</b>
<i><u>Leasehold Improvements</u></i>		
At cost	2,772,697	2,747,090
Accumulated depreciation	(1,885,259)	(1,728,617)
<b>Balance as at 30 June</b>	<b>887,438</b>	<b>1,018,473</b>
<i><u>Computer Equipment</u></i>		
At cost	2,747,148	2,645,150
Accumulated depreciation	(2,079,773)	(1,683,971)
<b>Balance as at 30 June</b>	<b>667,375</b>	<b>961,179</b>
<i><u>Motor Vehicles</u></i>		
At cost	309,401	309,401
Accumulated depreciation	(283,753)	(271,583)
<b>Balance as at 30 June</b>	<b>25,648</b>	<b>37,818</b>
Work in Progress	240,844	82,825
<b>Total Property, Plant &amp; Equipment</b>	<b>2,307,083</b>	<b>2,526,095</b>

Land and buildings used by the Company are owned by and included in the accounts of the City of Melbourne.

**Notes to the Financial Report continued****Note 5.3(a) Property, Plant & Equipment**

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

<b>2020</b>						
	<b>Balance as at 1 July 2019</b>	<b>Additions</b>	<b>Disposals</b>	<b>Depreciation</b>	<b>Transfers</b>	<b>Balance as at 30 June 2020</b>
<b>Plant &amp; Equipment</b>	235,912	240,985	0	(165,540)	77,325	<b>388,682</b>
<b>Furniture &amp; Fittings</b>	189,888	1,870	0	(94,662)	0	<b>97,096</b>
<b>Leasehold Improvements</b>	1,018,473	25,119	0	(156,154)	0	<b>887,438</b>
<b>Computer Equipment</b>	961,179	93,998	0	(393,302)	5,500	<b>667,375</b>
<b>Motor Vehicles</b>	37,818	0	0	(12,170)	0	<b>25,648</b>
<b>Work in Progress</b>	82,825	240,844	0	0	(82,825)	<b>240,844</b>
<b>TOTAL Property, Plant &amp; Equipment</b>	<b>2,526,095</b>	<b>602,816</b>	<b>0</b>	<b>(821,828)</b>	<b>0</b>	<b>2,307,083</b>

<b>2019</b>						
	<b>Balance as at 1 July 2018</b>	<b>Additions</b>	<b>Disposals</b>	<b>Depreciation</b>	<b>Transfers</b>	<b>Balance as at 30 June 2019</b>
<b>Plant &amp; Equipment</b>	178,080	199,253	0	(141,421)	0	<b>235,912</b>
<b>Furniture &amp; Fittings</b>	231,703	59,533	0	(101,348)	0	<b>189,888</b>
<b>Leasehold Improvements</b>	1,135,443	34,390	0	(151,360)	0	<b>1,018,473</b>
<b>Computer Equipment</b>	1,392,791	97,405	(16,123)	(531,661)	18,767	<b>961,179</b>
<b>Motor Vehicles</b>	42,742	6,238	0	(11,162)	0	<b>37,818</b>
<b>Work in Progress</b>	101,592	0	0	0	(18,767)	<b>82,825</b>
<b>TOTAL Property, Plant &amp; Equipment</b>	<b>3,082,351</b>	<b>396,819</b>	<b>(16,123)</b>	<b>(936,952)</b>	<b>0</b>	<b>2,526,095</b>

**Capitalisation Policy/Depreciation**

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation. The estimated useful lives used for each class of depreciable asset are shown below;

Leasehold improvements	10 years
Plant and Equipment	5 - 10 years
Furniture and fittings	1 - 7 years
Motor Vehicles	3 - 10 years
Computer equipment	1 - 5 years

The Company's policy is to capitalise and depreciate individual capital expenditure over \$500. Items of capital value of less than \$500 are treated as an expense.

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

**Amortisation - Right of use assets**

Leased properties	1 - 5 years
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**Notes to the Financial Report continued****Note 5.4 Right of Use Assets****Policy applicable before 1 July 2019**

As a lessee, the Company classifies leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company.

Operating lease payments, including any contingent rentals, were recognised as an expense in the comprehensive income statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

The leased asset was not recognised in the balance sheet.

All incentives for the agreement of a new or renewed operating lease were recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives were received to enter into operating leases, the aggregate cost of incentives were recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis was more representative of the time pattern in which economic benefits

**Policy applicable after 1 July 2019**

The Company has applied AASB 16 Leases using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information and applied the approach consistently to all leases in which it is a lessee. Refer to Note 10.4 for further detail.

The Company held one property lease during the financial year. Information about the property lease is presented below;

	2020	2019
	\$	\$

**Note 5.4 Right of use assets****Property**

Balance 1 July 2019	311,513	0
Additions	0	0
Amortisation Charges	(153,771)	0
Balance 30 June 2020	<u><u>157,742</u></u>	<u><u>0</u></u>

**Impact on financial statements**

On transition to AASB 16 Leases, Queen Victoria Market Pty Ltd recognised an additional \$311,513 of right-of-use assets and \$311,513 of lease liabilities at 1 July 2019.

## 6. OTHER ASSETS AND LIABILITIES

### Introduction to this section

This section includes other assets and liabilities that are working capital related and employed by Queen Victoria Market to support its day-to-day operating activities.

### Structure

- 6.1 Other Financial Assets
- 6.2 Trade and Other Receivables
- 6.3 Other Assets
- 6.4 Trade and other payables
- 6.5 Accrued Expense
- 6.6 Refundable Deposits
- 6.7 Lease Liability

	2020 \$	2019 \$
<b>Note 6.1 Other Financial Assets</b>		
Term deposits	0	1,000,000
Tenant security deposits	1,750,000	1,750,000
<b>Total Other Financial Assets</b>	<b>1,750,000</b>	<b>2,750,000</b>
<b>Note 6.2 Trade &amp; Other Receivables</b>		
Trade debtors	275,395	802,296
Less: Allowance for impairment	(52,531)	(89,716)
City of Melbourne	11,088	12,635
Accrued income	1,733,063	199,459
Bonds	38,250	38,250
	<b>2,005,265</b>	<b>962,924</b>

Accrued Income has increased due to the rent relief given to the Leasehold shops. This requires under AASB 16 the matching principle to be applied to the rent relief over the remaining period of the lease and has resulted in a \$1,576,000 increase to accrued income compared to 2019. This amount will reduce across the life of the current Leasehold leases to December 2021. See Note 3.3 for more detail.

All of Queen Victoria Market's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses of \$52,531 has been accounted for, slightly lower than \$89,716 in 2019.

The movement in the allowance for credit losses can be reconciled as follows:

	2020 \$	2019 \$
<b>Note 6.2(a) Reconciliation of allowance for credit losses</b>		
Balance 1 July 2019	(89,716)	(110,452)
Amounts written off (uncollectable)	75,893	22,170
Additional provision	(38,708)	(1,434)
<b>Balance 30 June 2020</b>	<b>(52,531)</b>	<b>(89,716)</b>

Provision for doubtful debt is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment. This is disclosed in Note 6.2 (above)

**Notes to the Financial Report continued**

The ageing of trade receivables that have been individually determined as impaired at reporting date was:

	2020 \$	2019 \$
<b>Impaired Receivables</b>		
Current (not yet due)	0	0
1 - 30 days	0	9,099
31 - 60 days	0	10,779
61 - 90 days	0	2,417
91 and over	52,531	67,421
<b>Ageing of impaired Receivables</b>	<b>52,531</b>	<b>89,716</b>

Many of the long outstanding past due amounts are in the hands of the Company's debt collectors or are subject to payment arrangements.

	2020 \$	2019 \$
<b>Note 6.3 Other Assets</b>		
Prepayments	165,273	259,011
Inventory	64,589	46,042
<b>Total Other Assets</b>	<b>229,862</b>	<b>305,053</b>

**Note 6.3(a) Inventory**

Merchandise stock	62,872	37,276
Bar stock	1,717	8,766
<b>Total Inventory</b>	<b>64,589</b>	<b>46,042</b>

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and is net of any rebates and discounts received. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

**Note 6.4 Trade & Other Payables**

Trade creditors	506,294	604,503
GST (receivable)/payable	(18,425)	50,293
<b>Total Trade &amp; Other Payables</b>	<b>487,869</b>	<b>654,796</b>

Payables represent liabilities for goods and services provided to Queen Victoria Market prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

**Note 6.5 Accrued Expenses**

General expenses	1,053,288	524,463
Payroll	337,477	261,520
Fringe benefits tax	20,317	20,317
Audit fees accrual - External	5,000	20,000
Audit fees accrual - Internal	355	1,098
<b>Total Accrued Expenses</b>	<b>1,416,437</b>	<b>827,398</b>

Accrued Expenses have been prepared on an accruals basis.

**Notes to the Financial Report continued****Note 6.6 Refundable Deposits**

Tenant Security Deposits - Current	187,721	188,214
Tenant Security Deposits - Non-Current	1,689,486	1,693,924
<b>Total Tenant Security Deposits</b>	<b>1,877,207</b>	<b>1,882,138</b>

Tenants are required to provide a security deposit upon commencement of their lease or licence. This security deposit is refundable upon their exit from the market. The classification between current (10%) and non-current (90%) is based on historical data relating to their redemption over the years. Tenant security deposits are held in separate bank accounts.

**Note 6.7 Lease Liability**

The Company has one property lease. With the exception of short-term leases and leases of low-value underlying assets, each lease agreement that falls under AASB 16 is reflected in the Statement of Financial Position as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

The following points detail the main terms of the lease the Company has entered into.

- The lease contains an option to extend the lease term. Where it is reasonably certain the option will be exercised, The Company has determined the lease term to be inclusive of the option.
- the Company is prohibited from selling or pledging underlying leased assets as security.
- the Company must keep the property in a state of repair, and return the property in it's original conditional at the end of the lease.

The Company must insure items of property, plant and equipment and incur maintenance fees on such items as per lease contracts.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonable certain not to terminate early

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**Lease payments not recognised as a liability**

The Company has elected to not recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets (less than \$10,000). Payments made under such leases are expensed on a straight-line basis.

**Amounts recognised in the statement of financial position at 30 June 2020**

	2020 \$	2019 \$
<b>Note 6.7 Lease liability</b>		
<b>Current</b>		
Property Lease	156,222	0
<b>Non-Current</b>		
Property Lease	0	0
<b>Total Provisions</b>	<b>156,222</b>	<b>0</b>



**Notes to the Financial Report continued****Amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income at 30 June 2020****Note 6.7 Finance Costs - leases**

Interest - Lease liabilities	7,206	0
<b>Total Finance Costs - leases</b>	<b>7,206</b>	<b>0</b>

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Maturity analysis - undiscounted contractual cash flows</b>		
Less than one year	156,222	0
One to five years	0	0
More than 5 years	0	0
<b>Total undiscounted contractual cash flows</b>	<b>156,222</b>	<b>0</b>

## 7. OUR CAPITAL STRUCTURE

### Introduction to this section

This section provides information on the capital structure of Queen Victoria Market and its sources of finance utilised during its operations and other information related to the financing activities of Queen Victoria Market.

### Structure

#### 7.1 Contributed Equity

	2020 \$	2019 \$
<b>Note 7.1 Contributed Equity</b>		
Balance as at 1 July	200,000	200,000
Shares issued	0	0
<b>Ordinary shares fully paid as at 30 June</b>	<b><u>200,000</u></b>	<b><u>200,000</u></b>

200,000 ordinary shares of \$1 each, fully paid

The Company does not have authorised capital or par value in respect of its issued shares. Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

The Company regards total equity, being contributed equity and retained profits, as capital. The objective of the Company is to provide a strong capital base so as to maintain shareholders' confidence and to sustain future development of the business. The Board of Directors monitors the return of capital through the level of dividends to the City of Melbourne. Due to COVID-19 the Company has entered into a funding agreement with The City of Melbourne. This involves a convertible loan provided by The City of Melbourne and the issuance by the Company in the financial year ending 30 June 2021 of preference shares. Refer to Note 1.3 for details.

## 8. TAXATION

### Introduction to this section

The Company is exempt from income tax under section 50-25 of the *Income Tax Assessment Act 1997*, due to it being wholly owned by the City of Melbourne, a local government authority.

The Company is subject to paying income tax equivalents to the City of Melbourne, equal to the amount of income tax otherwise payable under the *Income Tax Assessment Act 1997*. The Company has adopted the provisions of *AASB 112 Income Tax* to account for these income tax equivalents.

### Structure

#### 8.1 Income tax

#### 8.2 Deferred tax

	2020 \$	2019 \$
<b>Note 8.1 Income Tax Equivalents</b>		
Accounting Profit/(Loss) subject to Tax	503,916	280,158
Add/Less timing differences - provision for annual leave	(39,727)	706
Add/Less timing differences - provision for long service leave	9,318	106,814
Add/Less timing differences - provision for doubtful debts	(37,185)	(20,736)
Taxable Income/(Loss)	<b>436,322</b>	<b>366,942</b>
Tax Loss b/f	(2,489,352)	(2,856,294)
Taxable Income to be recouped	436,322	366,942
Tax Loss c/f	(2,053,030)	(2,489,352)
Tax Losses at 30% written off in 2018 and available for recoupment in future years	(615,909)	(746,806)
Income Tax Equivalent Expense at 30% of timing differences	20,278	(26,035)
Future Income Tax Benefit movement	(20,278)	26,035

Income tax equivalents expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred taxes are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date. Taxable profit differs from profit before tax as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

	2020 \$	2019 \$
<b>Note 8.2 Deferred Income Tax Equivalent Asset</b>		
Provision for employee benefits – annual leave	126,265	138,183
Provision for employee benefits – long service leave	256,257	253,462
Provision for doubtful debts	15,759	26,915
<b>Total Deferred Income Tax Equivalent Asset</b>	<b>398,281</b>	<b>418,559</b>

A deferred tax asset is recognised for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Provisions are calculated at 30% of balance.

## 9. MANAGING RISKS AND UNCERTAINTIES

### Introduction to this section

Queen Victoria Market is exposed to risk from its activities and outside factors. This section sets out specific information on financial instruments, including exposures to financial risks, as well as those items that are contingent in nature or require a higher level of judgement.

### Structure

9.1 Financial instruments

9.2 Commitments

9.3 Contingencies and Contingent Liabilities

### 9.1 Financial instruments

#### Objectives and policies

The Queen Victoria Market's principal financial instruments comprise cash assets, receivables, payables and tenant security deposits. Risk management is carried out by senior management under policies approved by the Queen Victoria Market board. These policies include identification and analysis of the risk exposure to the Market and appropriate procedures, controls and risk minimisation.

The most significant financial risks to which the Company is exposed are described below:

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

Trade receivables is the primary credit risk at Queen Victoria Market and is managed as follows;

- (i) Traders pay a security deposit as per their lease/licence.
- (ii) Debt policy is maintained by a full time employee.
- (iii) Regular reporting on debts greater than 60 days to the Executive team and Board of Directors.
- (iv) Debt collection agency is used.

	2020 \$	2019 \$
<b>Ageing of Trade Receivables</b>		
Current (not yet due)	49,096	158,317
1 - 30 days	10,658	228,117
31 - 60 days	16,372	166,955
61 - 90 days	25,316	24,171
91 and over	185,041	224,736
<b>Ageing of Trade Receivables</b>	<b>286,483</b>	<b>802,296</b>
Less: Allowance for impairment	(52,531)	(89,716)
<b>Total Ageing of Trade Receivables</b>	<b>233,952</b>	<b>712,580</b>

The Company's debt policy is currently on hold due to COVID-19, once restrictions are lifted the Company will continue with its debt policy procedure.

#### Liquidity Risk:

Liquidity risk arises from the financial liabilities of the company and the company's subsequent ability to meet its obligations to pay its financial liabilities as and when they fall due.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 12 month projection. Long-term liquidity needs for a 180-day and a 360-day period are identified monthly.

**Notes to the Financial Report continued**

Monthly reporting of budget to actual financial performance and rolling 12 month forward cashflow statements are reviewed by the Executive team and Board of Directors.

**Sensitivity disclosure analysis:**

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Company believes the movements 'reasonably possible' over the next 12 months are a parallel shift of + 0.5% and -0.5% in market interest rates (AUD) from year-end rates of 0.96% (2019:1.24%).

These movements will not have a material impact on the valuation of the Company's financial assets and liabilities, nor will they have a material impact on the results of the Company's operations.

**Financial Instruments:**

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

**Loans and receivables:**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

The Company's trade and other receivables fall into this category of financial instruments.

In some circumstances, the Company renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Company does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

**Impairment of assets:**

The Company tests assets to ensure that they are not carried above their recoverable amounts:

Annually, or more frequently if events or changes in circumstances indicate that the assets may be impaired and for all other assets whenever an indication of impairment may exist.

Besides provisions made for rent receivables no other financial assets were considered impaired.

**9.2 Commitments**

Commitments are not recognised in the Statement of Financial Position and are disclosed at their nominal value and presented inclusive of the GST payable

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Operating expenditure commitments</b>		
Not later than one year	6,066,746	3,356,102
Later than one year but not later than five years	7,701,650	1,167,541
<b>Total expenditure commitments</b>	<b><u>13,768,396</u></b>	<b><u>4,523,643</u></b>

Commitments for the payments under long-term contracts in existence at the reporting date can be found within Note 4.2 Contracted Expenses have GST excluded.

**Operating lease receivables**

Not later than one year	12,388,003	12,551,183
Later than one year but not later than five years	6,983,015	19,715,093
<b>Total operating lease receivables</b>	<b><u>19,371,018</u></b>	<b><u>32,266,276</u></b>



### **Notes to the Financial Report continued**

The variance between 2020 and 2019 in 'Later than one year but not later than five years' is the expiry of both Leasehold rentals and Open Stall licences in December 2021, the Company will issue new leases prior to this date.

Operating leases at the Queen Victoria Market are generally 5 years for Leasehold rentals (Meat & Dairy Hall and fixed shops within the market) and 1 - 3 years for Open Stall sheds (stalls under the sheds that are packed down each night).

In addition Queen Victoria Market has on-going perpetual Pre-Existing stall licences of approximately \$3,900,000 per year.

### **9.3 Contingencies and Contingent Liabilities**

Queen Victoria Market did not have any contingencies or contingent liabilities at 30 June 2020 (30 June 2019: None).

## 10. OTHER DISCLOSURES

### Introduction to this section

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

### Structure

- 10.1 Key management personnel compensation
- 10.2 Related party information
- 10.3 Events after reporting date
- 10.4 Change in accounting policies and disclosures
- 10.5 Market Renewal
- 10.6 Trader Support Program & Fund

### 10.1 Key management personnel compensation

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any director (non-executive) of the Company is considered key management personnel.

#### Directors;

Jane Fenton AM  
 Jane Hodder  
 Patrick Burroughs  
 Michael Tenace  
 Rob Adams AM  
 Dianne Laws (appointed 10/10/19)

#### Other Key management personnel;

Name	Position
Stan Liacos	CEO
Debbie Dowling	CFO & GM Business Services
Mark Bullen	GM Operations
Spiros Foscolos	GM Market Trading, Programming & Events.
Meg Dalla Lana	GM Marketing & Customer Experience

The total of remuneration as per AASB 119 Employee benefits and AASB 124 Related party disclosures paid to key management personnel of the Company during the year comprised:

	2020	2019
	\$	\$
Short-term employee benefits	1,357,964	1,273,798
Post-employment benefits	121,049	114,193
Other long-term benefits	20,202	17,666
Termination benefits	0	0
Share-based payment	0	0
<b>Total key management personnel compensation</b>	<b>1,499,215</b>	<b>1,405,657</b>

### 10.2 Related party information

#### Controlling entity

The immediate parent entity and ultimate parent entity is the Melbourne City Council (100% of shares held).

#### Transactions with the ultimate parent entity

Revenue transactions with the ultimate parent entity amounted to \$2,101,735 (2018-19: \$820,997) during the financial year. The amount owing at reporting date is \$11,088.

**Notes to the Financial Report continued**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<i>Revenue Transactions</i>		
City of Melbourne Grant	1,900,000	770,000
On-charge consultant fees	201,735	50,997
<b>Total Revenue Transactions</b>	<b><u>2,101,735</u></b>	<b><u>820,997</u></b>

Expenditure transactions with the ultimate parent entity amounted to \$301,739 (2018-19: \$334,768) during the financial year. The amount owing at reporting date is \$0.

*Expense Transactions*

Rates	230,580	249,010
amounts < 20,000	71,159	85,758
<b>Total Expense Transactions</b>	<b><u>301,739</u></b>	<b><u>334,768</u></b>

Refer to Note 8.1 for the income tax equivalent charges.

**Transactions with other related parties**

Citywide Services Pty Ltd (also owned by Melbourne City Council) provided services amounting to \$7,357 (2019: \$9,387). Transactions occurred on commercial arm's length terms.

**10.3 Events after the reporting date**

The impact of COVID-19 restrictions is expected to have a significant impact on the principal activities of the business during 2020/21. The Company is budgeting for a loss of \$6,894,551 and has entered into a funding agreement with the City of Melbourne.

The Company's constitution requires the issue of Preference Share to be approved by the State Minister and Treasurer which was requested by the City of Melbourne on 2 July 2020. This agreement is expected to be executed by the end of August 2020. Refer Note 1.3 for further detail.

**10.4 Change in accounting policies and disclosures**

The Company applied AASB 16 for the first time on 1 July 2019. The nature and the effect of the changes as a result of the adoption of this new accounting standard is described below.

The Company has adopted AASB 16 using the modified retrospective method of transition, with the date of initial application of 1 July 2019. Under the modified approach, the Company has chosen, on a lease-by-lease basis, to measure the related right-of-use asset at its carrying amount as if AASB 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

In accordance with the provisions of this transition approach, the Company recognised the cumulative effect of applying this new standard as an adjustment to opening retained earnings at the date of initial application i.e. 1 July 2019. Consequently, the comparative information presented has not been restated and continues to be reported under the previous standards on leases – AASB 117.

**Reconciliation of operating lease commitments under AASB 117 and lease liabilities under AASB 16**

As a lessee, the incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on the date of initial application was 3%.

**Notes to the Financial Report continued****Transaction impacts**

The Company adopted the practical expedient of deeming the lease asset to be equal in value to the lease liability at 1 July 2019. As such there was no impact on retained earnings on the adoption of AASB 16 Leases.

The following table summarises the impacts of transition to the new standards on the Company's statement of financial position for the year ending 30 June 2019.

	reported 30 June 2019	Adjustments	Post Adoption
	\$	\$	\$
<b>Assets</b>			
Right of use assets	0	311,513	311,513
<b>Liabilities</b>			
Lease Liabilities - current	0	311,513	311,513
Lease Liabilities - non current	0	0	0

**10.5 Market Renewal**

Throughout 2019-20 Queen Victoria Market Pty Ltd continued to work in partnership with the City of Melbourne's Renewal team to scope, plan and deliver projects associated with the Queen Victoria Market Precinct Renewal Program in accordance with the Master Plan and strategic priorities.

New reporting arrangements for the Renewal Program that were endorsed by Council in May 2019 were embedded and refined in 2019/20, including revised reporting arrangements for the Renewal Committee, which now reports to the Queen Victoria Market Board. Throughout 2019/20 changes to the Queen Victoria Market management structure and membership of the Board were implemented to streamline reporting lines and provide clear accountability for the delivery of the Queen Victoria Market Precinct Renewal Program and management of the day-to-day operational requirements of the Market. To progress and support the Renewal Program, two additional people resources were also implemented within Queen Victoria Market Pty Ltd in 2019-20.

In a significant milestone for the Renewal Program, Heritage Victoria approved the in-situ restoration of the heritage sheds with works commencing on site in May 2020. As a result of the impact of the COVID-19 pandemic and the significant impact of State Government restrictions, the program was accelerated to encompass a larger area of the market. Under the revised program, all of the market's sheds will be restored by 2022, reducing disruption to market traders and customers by around eight to twelve months. The first stage of restoration works across Sheds J to M will be completed by December 2020, enabling this large area of the market to re-open to trade.

Heritage and planning applications for two purpose-built trader facilities were made to Heritage Victoria and the City of Melbourne. The proposed Northern and Trader Sheds will support fresh produce traders to run their businesses in a safer and more efficient way, help the market and traders meet food, health and safety responsibilities and enhance the market experience for locals and visitors.

The City of Melbourne's largest new community hub and market customer car parking is continuing to take shape at the Munro site, adjacent to the market. The below ground car park for market customers is on track for completion by mid-2021 and will enable the staged delivery of 1.75 hectares of new public open space. The new open square will be guided by a charter endorsed by Council in June 2020. The charter will ensure the intended vision for the space is realised and the market experience is enhanced for visitors by supporting events that complement the market and contribute to its economic viability.

**Notes to the Financial Report continued****10.6 Trader Support Program & Fund**

In August 2017 the City of Melbourne committed at least \$8 million to establish Trader Connect, a support program and fund to assist traders to successfully operate, grow and innovate their businesses throughout the renewal program. Trader Connect provides a range of initiatives designed to help traders mitigate impacts, realise opportunities and facilitate business development during the renewal program. During the 2019-20 year \$309,228 was incurred for trader support programs including business mentoring and a dedicated trader lounge. Since inception \$1,177,496 has been incurred for these programs as set out below.

**Summary of funding**

Marketing & Promotion	475,250
Small Business Mentoring Service	513,333
Trader Lounge	188,913
	<u><u>1,177,496</u></u>

Financial assistance may also be available where renewal works are shown to have a negative impact on trader profits. A committee, comprising a City of Melbourne representative and two independent members, will review and assess all claims for financial assistance. Trader Connect initiatives and financial assistance will be reported by Queen Victoria Market.



# Independent Auditor's Report

## To the Directors of Queen Victoria Market Pty Ltd

<b>Opinion</b>	<p>I have audited the financial report of Queen Victoria Market Pty Ltd (the company) which comprises the:</p> <ul style="list-style-type: none"> <li>• statement of financial position as at 30 June 2020</li> <li>• statement of profit and loss and other comprehensive income for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• statement of cashflows for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• directors' declaration.</li> </ul> <p>In my opinion the financial report is in accordance with the <i>Corporations Act 2001</i> including:</p> <ul style="list-style-type: none"> <li>• giving a true and fair view of the financial position of the company as at 30 June 2020 and its financial performance and cash flows for the year then ended</li> <li>• complying with Australian Accounting Standards and the <i>Corporations Regulations 2001</i>.</li> </ul>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the company in accordance with the auditor independence requirements of the <i>Corporations Act 2001</i> and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I confirm that the independence declaration required by the <i>Corporations Act 2001</i>, which has been given to the Directors of the company, would be in the same terms if given to the Directors as at the time of this auditor's report.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Directors's responsibilities for the financial report</b>	<p>The Directors of the company is responsible for the preparation of a financial report that gives a true and fair view in accordance with Australian Accounting Standards and the <i>Corporations Act 2001</i>, and for such internal control as the Directors determines is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Directors is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

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

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

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

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

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

I also provide the Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

MELBOURNE  
31 August 2020



Sanchu Chummar

*as delegate for the Auditor-General of Victoria*

## CONTACT

### Queen Victoria Market Pty. Ltd.

Level 8, 365 Queen Street  
Melbourne, VIC, 3000  
T: +61 (3) 9320 5822  
E: [info@qvm.com.au](mailto:info@qvm.com.au)  
ABN 44069959771

[qvm.com.au](http://qvm.com.au)

### Postal Address

PO Box 12415  
A'Beckett Street  
Melbourne, Victoria  
8006 Australia

