

Melbourne City Council

Financial Report

For the year ended 30 June 2011

Prepared in accordance with the Local Government Act 1989, Local Government (Finance and Reporting) Regulations 2004, and applicable Australian Accounting Standards.

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MELBOURNE CITY COUNCIL
Comprehensive Income Statement
For the year ended 30 June 2011

| | Consolidated | | Note | Council | |
|---|----------------|-----------------|-----------|----------------|-----------------|
| | 2011 \$'000 | 2010 \$'000 | | 2011 \$'000 | 2010 \$'000 |
| Revenues from ordinary operations | | | | | |
| Rates | 192,804 | 180,670 | 3(a) | 192,804 | 180,670 |
| Grants and other contributions | 27,683 | 28,629 | 3(d) | 26,961 | 28,462 |
| Parking Fees | 42,124 | 41,231 | 3(b) | 38,560 | 38,002 |
| Fines | 44,952 | 42,588 | | 44,952 | 42,588 |
| Property revenue | 24,426 | 22,830 | | 6,711 | 6,730 |
| Other Fees & Charges | 148,911 | 113,551 | | 18,302 | 17,622 |
| Intercompany Revenue | - | - | | 15,811 | 13,428 |
| Finance Income | 9,755 | 7,795 | 3(c) | 8,782 | 7,008 |
| Sales & Recoveries | 17,811 | 15,438 | | 8,536 | 6,499 |
| | 315,662 | 272,062 | | 168,615 | 160,339 |
| Total Revenue | 508,466 | 452,732 | | 361,419 | 341,009 |
| Expenses from ordinary operations | | | | | |
| Employee benefit expense | 176,072 | 153,890 | 4(a) | 107,276 | 95,276 |
| Contract Payments, Materials and Services | 201,580 | 172,842 | 4(b),4(c) | 141,071 | 136,055 |
| Depreciation and amortisation | 58,562 | 56,608 | 4(d) | 48,407 | 46,625 |
| Finance costs | 14,098 | 13,579 | 4(e) | 11,511 | 11,792 |
| Other Expenses | 21,048 | 20,802 | 4(f) | 20,455 | 20,207 |
| Total Expenses | 471,360 | 417,721 | | 328,720 | 309,955 |
| Net gain/(loss) on disposal of property, plant & infrastructure | 2,388 | (153) | 16 | 2,163 | (321) |
| Contributed Assets | 1,993 | 17,255 | | 1,993 | 17,255 |
| Transfer of assets to external parties | | (74,496) | 25 | | (74,496) |
| Profit/(loss) | 41,487 | (22,383) | | 36,855 | (26,508) |
| Other Comprehensive Income | | | | | |
| Fair value adjustments for financial assets at fair value | 336 | 388 | | 336 | 389 |
| Net asset revaluation increment(decrement) | 157,573 | 178,889 | 15 | 157,573 | 176,152 |
| Gain/(loss) on defined benefits plans | 2,817 | (904) | | - | - |
| Total Other Comprehensive Income | 160,726 | 178,373 | | 157,909 | 176,541 |
| Comprehensive Result | 202,213 | 155,990 | | 194,764 | 150,033 |

The comprehensive income statement should be read with the accompanying notes to the financial report.

MELBOURNE CITY COUNCIL
Balance Sheet
As at 30 June 2011

| | Consolidated | | Note | Council | |
|---|------------------|------------------|---------|------------------|------------------|
| | 2011 \$'000 | 2010 \$'000 | | 2011 \$'000 | 2010 \$'000 |
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | 168,974 | 115,105 | 17(b) | 151,586 | 102,901 |
| Trade and other Receivables | 53,296 | 38,259 | 5 | 25,171 | 21,464 |
| Accrued Income | 7,086 | 3,872 | | 3,176 | 2,761 |
| Inventories | 407 | 478 | 6 | - | - |
| Other Financial Assets | - | 14,664 | 7,17(b) | - | 14,664 |
| Other Assets | 1,153 | 893 | 8 | 6,263 | 4,646 |
| Total Current Assets | 230,916 | 173,271 | | 186,196 | 146,436 |
| Non-Current Assets | | | | | |
| Other Financial Assets | 3,026 | 3,042 | 7 | 32,961 | 32,921 |
| Intangible assets | 24,491 | 14,256 | 10 | 6,777 | 4,405 |
| Property, Plant and Infrastructure | 2,958,790 | 2,791,768 | 9 | 2,898,022 | 2,725,319 |
| Investment Property | 97,434 | 96,896 | 11 | 97,434 | 96,896 |
| Total Non-Current Assets | 3,083,741 | 2,905,962 | | 3,035,194 | 2,859,541 |
| TOTAL ASSETS | 3,314,657 | 3,079,233 | | 3,221,390 | 3,005,977 |
| LIABILITIES | | | | | |
| Current Liabilities | | | | | |
| Trade and Other Payables | 75,486 | 47,029 | 12 | 49,768 | 29,141 |
| Employee benefits | 32,835 | 27,780 | 13(a) | 22,852 | 19,434 |
| Provisions | 1,600 | 1,510 | 14 | 1,336 | 1,316 |
| Total Current Liabilities | 109,921 | 76,319 | | 73,956 | 49,891 |
| Non-Current Liabilities | | | | | |
| Trade and other Payables | 4,282 | 6,322 | 12(a) | 4,282 | 6,322 |
| Employee benefits | 4,654 | 5,735 | 13(b) | 2,532 | 3,908 |
| Interest Bearing Liabilities | 7,000 | 1,000 | | - | - |
| Net Liability of City of Melbourne's Defined Benefits Superannuation Fund | 7,887 | 11,157 | | - | - |
| Total Non-Current Liabilities | 23,823 | 24,214 | | 6,814 | 10,230 |
| TOTAL LIABILITIES | 133,744 | 100,533 | | 80,770 | 60,121 |
| NET ASSETS | 3,180,913 | 2,978,700 | | 3,140,620 | 2,945,856 |
| Equity | | | | | |
| Accumulated Surplus | 1,769,664 | 1,720,781 | | 1,736,016 | 1,699,096 |
| Reserves | 1,411,249 | 1,257,919 | 15 | 1,404,604 | 1,246,760 |
| TOTAL EQUITY | 3,180,913 | 2,978,700 | | 3,140,620 | 2,945,856 |

The balance sheet should be read with the accompanying notes to the financial report.

MELBOURNE CITY COUNCIL
Statement of Cash Flows
For the year ended 30 June 2011

| | Consolidated | | Note | Council | |
|---|-----------------|-----------------|-------|-----------------|-----------------|
| | 2011 \$'000 | 2010 \$'000 | | 2011 \$'000 | 2010 \$'000 |
| Cash Flows from Operating Activities | | | | | |
| Receipts | | | | | |
| Rates, Fees and Charges (inclusive of GST) | 453,094 | 415,282 | | 306,506 | 298,654 |
| Grants and Other Contributions (inclusive of GST) | 29,493 | 30,518 | | 28,699 | 30,335 |
| Interest | 9,670 | 7,668 | | 8,697 | 6,881 |
| Dividends Received | 85 | 127 | | 4,253 | 4,665 |
| Tax equivalents | - | - | | 5,837 | 3,129 |
| Other (including Sales & Recoveries) (inclusive of GST) | 14,842 | 20,039 | | 14,669 | 18,029 |
| Payments | | | | | |
| Employee benefit payments | (169,430) | (149,900) | | (107,253) | (93,384) |
| Materials and Services (inclusive of GST) | (221,743) | (227,032) | | (161,227) | (194,158) |
| Other (inclusive of GST) | (4,475) | (4,281) | | (3,883) | (3,686) |
| Net Cash provided by Operating Activities | 111,536 | 92,421 | 17(a) | 96,298 | 70,465 |
| Cash Flows from Investing Activities | | | | | |
| Proceeds from sale of property, infrastructure, plant and equipment | 3,082 | 932 | | 3,082 | 932 |
| Purchase of investments | (7,862) | - | 26 | - | - |
| Payments for property, infrastructure, plant and equipment | (68,428) | (77,374) | | (62,847) | (63,483) |
| Investment in Sustainable Melbourne Fund | - | - | | (41) | (102) |
| Joint Venture Payments | - | (570) | | - | (570) |
| Net Cash used by Investing Activities | (73,208) | (77,012) | | (59,806) | (63,223) |
| Cash Flows from Financing Activities | | | | | |
| Proceeds/(Repayments) of borrowings | 6,000 | (6,500) | | - | - |
| Finance costs | (5,123) | (4,885) | | (2,471) | (2,989) |
| Net Cash used by Financing Activities | 877 | (11,385) | | (2,471) | (2,989) |
| Net Increase/(decrease) in cash and cash equivalents | 39,205 | 4,024 | | 34,021 | 4,253 |
| Cash and cash equivalents at beginning of the financial year | 129,769 | 125,745 | | 117,565 | 113,312 |
| Cash and cash equivalents at end of the financial year | 168,974 | 129,769 | 17(b) | 151,586 | 117,565 |

The statement of cash flows should be read in conjunction with the accompanying notes to the financial report.

MELBOURNE CITY COUNCIL
Statement of Changes in Equity (Consolidated)
For the year ended 30 June 2011

| | Note | Total Equity | | Accumulated Surplus | | Asset Revaluation Reserve | | Other Reserves | |
|---|---------|------------------|------------------|---------------------|------------------|---------------------------|------------------|----------------|----------------|
| | | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| Balance at beginning of the financial year | | 2,978,700 | 2,822,709 | 1,720,781 | 1,744,468 | 1,255,716 | 1,076,827 | 2,203 | 1,414 |
| Surplus/(deficit) for the year | | 41,487 | (22,383) | 41,487 | (22,383) | - | - | - | - |
| Actuarial gain/(expense) - City of Melbourne's Defined Benefits Superannuation Fund | | 2,817 | (904) | 2,817 | (904) | - | - | - | - |
| Asset Revaluation Reserve for Public Open Space | 15(i) | 157,573 | 178,889 | - | - | 157,573 | 178,889 | - | - |
| Trfs from Asset Revaluation Reserve to Acc Surplus | 15(ii) | - | - | (1,126) | (400) | - | - | 1,126 | 400 |
| Investments Revaluation Reserve | 15(i) | - | - | 5,705 | - | (5,705) | - | - | - |
| | 15(iii) | 336 | 389 | - | - | - | - | 336 | 389 |
| Balance at the end of the financial year | | 3,180,913 | 2,978,700 | 1,769,664 | 1,720,781 | 1,407,584 | 1,255,716 | 3,665 | 2,203 |

The statement of changes in equity (Consolidated) should be read in conjunction with the accompanying notes to the financial report.

MELBOURNE CITY COUNCIL
Statement of Changes in Equity (Council)
For the year ended 30 June 2011

| | Note | Total Equity | | Accumulated Surplus | | Asset Revaluation Reserve | | Other Reserves | |
|--|---------|------------------|------------------|---------------------|------------------|---------------------------|------------------|----------------|----------------|
| | | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| Balance at beginning of the financial year | | 2,945,856 | 2,795,823 | 1,699,096 | 1,726,004 | 1,244,557 | 1,068,405 | 2,203 | 1,414 |
| Surplus/(deficit) for the year | | 36,855 | (26,508) | 36,855 | (26,508) | - | - | - | - |
| Asset Revaluation Reserve for Public Open Space | 15(ii) | 157,573 | 176,152 | - | - | 157,573 | 176,152 | - | - |
| Trfs from Asset Revaluation reserve to Acc Surplus | 15(iii) | - | - | (1,126) | (400) | - | - | 1,126 | 400 |
| Investments Revaluation Reserve | 15(ii) | - | - | 1,191 | - | (1,191) | - | - | - |
| | 15(iv) | 336 | 389 | - | - | - | - | 336 | 389 |
| Balance at the end of the financial year | | 3,140,620 | 2,945,856 | 1,736,016 | 1,699,096 | 1,400,939 | 1,244,557 | 3,665 | 2,203 |

The statement of changes in equity (Council) should be read in conjunction with the accompanying notes to the financial report.

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

The Melbourne City Council is a body corporate constituted pursuant to the *Local Government Act 1989* to provide for the peace, order and good government of its municipal district. The Financial Report has been drawn up in accordance with that Act and related Regulations.

The purpose of the Council is to:

- to promote the social, economic and environmental viability and sustainability of the municipal district;
- to ensure that resources are used efficiently and effectively.

Principles to best meet the needs of the local community;

- to improve the overall quality of life of people in the local community;
- to promote appropriate business and employment opportunities;
- to ensure that services and facilities provided by the Council are accessible and equitable;
- to ensure the equitable imposition of rates and charges; and
- to ensure transparency and accountability in Council decision making.

External Auditor - Victorian Auditor-General's Office

Internal Auditor - Deloitte Touche Tohmatsu

Solicitors - Hunt & Hunt, Mallesons Stephen Jaques, Blake Dawson, Maddocks

Banker - Westpac

Website address - www.melbourne.vic.gov.au

Registered and principal place of business of Melbourne City Council is 90 Swanston Street Melbourne

This Financial Report is a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Cash Flows, Statement of Changes in Equity and notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations, the *Local Government Act 1989*, and the *Local Government (Finance and Reporting) Regulations 2004*.

International financial reporting standards

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRS). This Financial Report complies with the Australian equivalents to IFRS (A-IFRS).

Note 1. Significant accounting policies

The significant policies, which have been adopted in the preparation of this Financial Report, are:

(a) Basis of preparation

The Financial Report has been prepared on a going concern basis and historical cost basis, except where otherwise stated, and accrual accounting principles. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Where appropriate, comparative figures have been re-stated to accord with current presentation and disclosure made of material changes to comparatives.

(b) Principles of Consolidation

The consolidated results in the financial report include all funds through which the Melbourne City Council controls resources to carry on its functions. In the process of reporting on the Melbourne City Council as a consolidated unit, all intra and inter entity balances and transactions have been eliminated.

CityWide Service Solutions Pty Ltd, Queen Victoria Market Pty Ltd and Melbourne Wholesale Fish Market Pty Ltd are all wholly owned subsidiaries of the Council incorporated in Australia and are included in the consolidated financial report.

The Sustainable Melbourne Fund Trust is wholly controlled trust of the Council and is included in the consolidated financial report.

The Melbourne Wholesale Fish Market Pty Ltd ("MWF") board made a decision to cease operating the fish market from 30 June 2011 with the intention to wind up the Company following the successful completion of realisation of the Company's assets, settlement of liabilities and payment of Final Dividend to Shareholders. The company has executed a contract of sale of its' major asset being the fish market site to VicTrack on 30 June 2011. Given the current state of affairs, the accounts of the company have not been prepared on a going concern basis and have been prepared to reflect an orderly wind up of the business. Comparative information is reclassified where appropriate to ensure comparability with the current reporting year. All assets and liabilities are expected to be realised and settled as part of the winding up process with no losses anticipated and full settlement of all obligations. The Final Dividend to Shareholders will be declared and paid in conjunction with the winding up process. All assets and liabilities are classed as current in the financial statements at estimated realisable value.

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 1. Significant accounting policies (continued)

(c) Business combinations (subsequent to 1 July 2010)

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Consolidated Entity, liabilities incurred by the Consolidated Entity to the former owners and the equity instruments issued by the Consolidated Entity in exchange for control of the acquiree.

Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Noncurrent Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Where the consideration transferred by the Consolidated Entity in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

(d) Taxation

Melbourne City Council is exempt from the payment of income tax and capital gains tax. Payments for Fringe Benefits Tax and Goods and Services Tax (GST) are made in accordance with the relevant legislation. Payments for payroll tax are only made by the trading entities controlled by the Melbourne City Council.

The wholly owned subsidiaries are subject to the Melbourne City Council's tax equivalent policy. Where the subsidiary is exempt from certain taxes it pays an equivalent of the tax to Melbourne City Council.

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(e) Fees, Fines, Charges, Rates, Grants, and Other Contributions

Fees and charges are recognised as revenue when services are provided or the cash is received, whichever occurs first.

Fines are recognised as revenue when the penalty is imposed.

Rates, grants, and other contributions are recognised as revenues when Melbourne City Council obtains control over the related assets. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates. Control over granted assets is normally obtained upon their receipt or upon prior written notification that a grant has been secured.

Where contributions recognised as revenues during the financial year were obtained on the condition that they be expended in a particular manner or used over a particular year, and those conditions were undischarged as at the reporting date, the nature of any amounts pertaining to those undischarged conditions are disclosed in Note 3(e). That note also discloses the amount of contributions recognised as revenues in previous financial years, which were expended in respect of Melbourne City Council's operations during the current financial year.

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 1. Significant accounting policies (continued)

Tax equivalents and dividends from subsidiaries are recognised as income when received or amounts have been declared at the respective subsidiary companies board meeting.

Revenue arising from service contracts is recognised by reference to the stage of completion of the contract, unless the outcome of the contract cannot be reliably estimated. The stage of completion is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract. Administrative overheads are not included in the costs of the contract for this purpose. Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

(f) Intangibles

(i) Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. Fair value is defined in note 1(k)(ii). The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised, but tested for impairment annually.

(ii) Software

Software, that is not an integral part of the related hardware, is classified as intangibles, recorded at cost and amortised on a straight line basis over a 5 year period.

| | Goodwill | Software |
|--|--|--|
| Useful lives | Indefinite | Finite |
| Method used | Not depreciated or revalued | 5 Years – straight line |
| Internally generated/ acquired | Acquired | Acquired |
| Impairment test/ recoverable amount test | Reviewed annually for indication of impairment | Amortised method reviewed at each financial year-end; Reviewed annually for indication of impairment |

(g) Employee benefits

Wages, Salaries, Annual and Long Service Leave

Liabilities for employees' entitlements to wages and salaries, annual leave, and other employee benefits which are expected to be paid or settled within 12 months of balance date are accrued at nominal amounts calculated on the basis of 2010/11 wage and salary rates and payroll based on costs in accordance with AASB 119 'Employee Benefits'.

Liabilities for other Employee benefits which are not expected to be paid or settled within 12 months of balance date are accrued as per AASB 119 at the present values of future amounts expected to be paid based on 4% per annum projected weighted average increase in wage and salary rates and payroll based on costs over an average period of five years. Present values are calculated using the government guaranteed securities rates with similar maturity terms.

Superannuation

Council has an ongoing obligation to share in the future experience of the Melbourne City Council Superannuation defined benefits sub-plan. Favourable or unfavourable variations may arise should the experience of the Funds differ from the assumptions made by the Funds' actuary in estimating the Funds' accrued benefit liability.

An asset or liability is recognised in the consolidated financial statements as the Council's share of the scheme's assets or liabilities, being the difference between the present value of employees' accrued benefits and the net market value of the scheme's assets at balance date. The asset also includes applicable contributions tax of 15%.

Superannuation expense for the reporting year is the amount of statutory contribution Melbourne City Council makes to superannuation funds, which provides benefits to employees.

Details of these arrangements are set out in Note 20.

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 1. Significant accounting policies (continued)

(h) Depreciation

Depreciation measures the service potential of buildings, infrastructure assets, plant and equipment consumed during the year. Interest in trees, land and artworks are not depreciated as they are considered to have either unlimited useful lives or to be self generating assets. Depreciation is recognised on a straight-line basis over the useful lives of the assets to the economic entity. Depreciation rates are reviewed each financial year. The depreciation periods for the major classes of assets are shown below represent the maximum useful life.

| | 2010/11 | 2009/10 |
|---------------------------------|----------------|----------------|
| Buildings | 50 Years | 50 Years |
| Roads & laneways - Seal | 20 Years | 20 Years |
| Roads & laneways - Substructure | 90 Years | 90 Years |
| Heritage Assets | 100 Years | 100 Years |
| Promenades and Wharves | 100 Years | 100 Years |
| Footpaths | 50 Years | 50 Years |
| Kerb & channel | 50 Years | 50 Years |
| Bridges | 94 Years | 94 Years |
| Drains | 185 Years | 185 Years |
| Plant & equipment | 20 Years | 20 Years |
| Furniture & fittings | 10 Years | 10 Years |
| Irrigation systems | 20 Years | 20 Years |
| Parks & gardens infrastructure | 50 Years | 50 Years |
| Statues, sculptures & artworks | 100 Years | 100 Years |
| Other structures | 50 Years | 50 Years |

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

(i) Cash and Cash Equivalents

For purposes of the balance sheet, cash and cash equivalents includes short term deposits, bank bills, negotiable certificates of deposit and fixed interest securities which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of bank overdrafts. Short-term deposits are stated at cost. Fixed interest securities are valued at net fair value. Interest is recognised when earned.

(j) Receivables and Payables

Trade receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable. Receivables are generally settled within 30 days.

Trade creditors and accruals are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Provision for Doubtful Debts

The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. No provision is made for rate debtors because the debts are collectable against the property.

(l) Property, Plant, Equipment & Infrastructure

(i) Capital and Recurrent Expenditure

As a general rule, material expenditure incurred in the purchase or development of assets is capital expenditure. Expenditure necessarily incurred in either maintaining the operational capacity of the non-current asset or ensuring that the original life estimate of the asset is achieved, is considered maintenance expenditure and is treated as an expense as incurred. Items of a capital nature with a total value of less than \$2,000 are treated as an expense.

(ii) Acquisition

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to their acquisition, including architectural and engineering fees and all other establishment costs.

The Council's policy is to capitalise and depreciate individual capital expenditure over \$2,000.

Fair value means the amount for which an asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction.

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 1. Significant accounting policies (continued)

(iii) **Construction Work in Progress**

The cost of property, plant, equipment & infrastructure constructed by Melbourne City Council includes the cost of materials and direct labour and an appropriate proportion of overheads.

(iv) **Leases**

Melbourne City Council does not currently use any finance lease arrangements. In respect of operating leases, where the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased property, the payments are charged to expense over the lease term.

(v) **Asset Revaluation**

All asset values not valued at cost were reviewed and where necessary valued as at 30 June 2011. The net increase in the Asset Revaluation Reserve in 2010/11 was \$157.573 million (\$176.152 million 2009/10) for the Council and an increase of \$157.573 million (\$178.889 million 2009/10) for the economic entity, (refer to note 15).

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense, the increment is recognised as revenue.

Revaluation decrements are recognised immediately as expenses, except that, to the extent that an increment balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve. Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

(vi) **Heritage Assets**

The maximum life for depreciation of Heritage assets is 100 years.

(vii) **Valuation**

All land and buildings are valued at fair value, being market value assuming the highest and best use permitted by the relevant land use planning provisions or existing public use whichever is the greater. Freehold land reserved for public open space is valued at a discount, being 20% of market value, based on legal precedents.

All improvements on Crown Land are valued on the basis of fair value, being either market value or written down replacement cost for special purpose buildings.

Infrastructure assets are valued at fair value, being replacement cost less accumulated depreciation.

(viii) **Impairment**

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any shortfall of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement.

(m) **Non-Cash Donations**

Non-cash donations in excess of \$2,000 value are recognised as revenue.

(n) **Rounding**

Unless otherwise stated, amounts in the Financial Report are rounded to the nearest thousand dollars.

(o) **Web site costs**

Costs in relation to web sites controlled by the Melbourne City Council are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over their period of expected benefit.

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 1. Significant accounting policies (continued)

(p) Allocation between current & non-current

With the exception of employee entitlements, the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being the Council's operational cycle.

For employee entitlements, long service leave entitlements for employees with over 7 years service and all annual leave entitlements is classified as current. Long service leave entitlements for employees with less than 7 years service is classified as non current. Long service leave expected to be taken in the next twelve months is recorded at nominal value and long service leave not expected to be taken over the next twelve months is recorded at present value.

(q) Investment property

Investment property is held to generate long-term rental yields. All tenant leases are entered into at an arms length basis.

Investment property is carried at fair value, being market value assuming the highest and best use permitted by the relevant land use planning provisions or existing public use whichever is the greater. Any changes to fair value are recorded in the comprehensive income statement. Investment properties are not depreciated.

(r) Pending Accounting Standards

The following Australian Accounting Standards have been issued or amended and are applicable to the Council but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

| <i>Standard / Interpretation</i> | <i>Summary</i> | <i>Applicable for annual reporting periods beginning or ending on</i> | <i>Impact on Local Government financial statements</i> |
|---|---|--|--|
| AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1039 and Interpretations 10 & 12] | These standards are applicable retrospectively and amend the classification and measurement of financial assets. Council has not yet determined the potential impact on the financial statements. | Applicable for annual reporting periods commencing on or after 1 January 2013. | These changes are expected to provide some simplification in the accounting for and disclosure of financial instruments |
| AASB 124: Related Party Disclosures | This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. | Applicable for annual reporting periods commencing on or after 1 January 2011. | Although this standard does not strictly apply to Local Government it is often used as guidance, as such there will be greater clarity on the disclosure of inter government transactions. |
| AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] | This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. | Applicable for annual reporting periods commencing on or after 1 January 2011. | These amendments are not expected to impact Council |
| AASB 2009-14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] | This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. | Applicable for annual reporting periods commencing on or after 1 January 2011. | These amendments are not expected to impact Council |

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 1. Significant accounting policies (continued)

(s) Critical accounting judgements and key sources of estimation uncertainty

In application of the Council's accounting policies, Council 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.

(t) Functional Currency

The presentation currency of Melbourne City Council is the Australian dollar. The functional currency of each subsidiary throughout the Council and the Consolidated Financial Statements is also the Australian dollar.

Note 2. Operating result attributable to Functions/activities (consolidated)

(a) Revenues, Expenses have been attributed to the following functions.

| Functions/Activities | | REVENUES | EXPENSES | Net Surplus |
|--------------------------------|---------|----------|-----------|------------------------|
| | | \$'000 | \$'000 | for the year \$'000 |
| City Planning & Infrastructure | 2009/10 | 100,233 | (122,158) | (21,925) |
| | 2010/11 | 93,043 | (130,056) | (37,013) |
| Community Development | 2009/10 | 19,451 | (54,603) | (35,152) |
| | 2010/11 | 18,232 | (56,463) | (38,231) |
| City Design | 2009/10 | 13,200 | (31,175) | (17,975) |
| | 2010/11 | 12,379 | (31,793) | (19,414) |
| City Business | 2009/10 | 6,916 | (40,382) | (33,466) |
| | 2010/11 | 7,961 | (44,855) | (36,894) |
| Chief Executive | 2009/10 | 509 | (7,463) | (6,954) |
| | 2010/11 | 68 | (7,892) | (7,824) |
| Corporate Business | 2009/10 | 218,897 | (129,924) | 88,973 |
| | 2010/11 | 234,809 | (58,579) | 176,230 |
| Subsidiaries | 2009/10 | 111,451 | (107,335) | 4,116 |
| | 2010/11 | 147,048 | (142,415) | 4,633 |
| TOTAL | 2009/10 | 470,657 | (493,040) | (22,383) |
| | 2010/11 | 513,540 | (472,053) | 41,487 |

Note 2. Operating result attributable to Functions/activities (consolidated) (continued)

(b) A brief description of the goal of each function is as follows:

City Planning & Infrastructure

City Planning & Infrastructure Division advises the Council on city planning for the sustainable development of Melbourne through research, policy development, program and infrastructure delivery and planning.

Community Development

The Community Development division provides a range of services, specific programs and recreation services for residents and visitors, contributing to building strong local communities that are inclusive and supportive. This, with the delivery of cultural programs and the management of the City's cultural infrastructure, enhances the City of Melbourne's reputation as a safe, attractive, liveable and accessible city. The Division is also responsible for providing a direct customer liaison, information and advocacy service and driving the organisation's approach to the delivery of high quality customer service.

City Design

The City Design Division is responsible on behalf of the Council for providing urban design policy, advice, design, project management and management of parks and reserves.

City Business

To provide leadership in events management, communications and marketing, promoting tourism within the city and providing guidance to business and international interaction.

Chief Executive

To ensure a well-managed and leading organisation through the delivery of effective and accountable governance and business processes.

Corporate Business

To provide a range of quality support functions to the Council. This assists the Council in providing the highest standard of services to the city.

Subsidiaries include the following entities:

CityWide Service Solutions Pty Ltd and its controlled entity Sterling Group Services Pty Ltd

To meet the contract service needs of local government, other governments, and private and public sector corporations by providing a comprehensive range of quality, physical services at competitive rates.

Queen Victoria Market Pty Ltd

To ensure that the Market maintains and enhances an industry reputation as Australia's foremost traditional market, whilst meeting world's best practice standards.

Melbourne Wholesale Fish Market Pty Ltd

It should be noted that Melbourne Wholesale Fish Market Pty Ltd ceased operating the market on 30 June 2011. Refer to Note 1b for further details.

Sustainable Melbourne Fund Trust

The Sustainable Melbourne Fund (SMF) is a self sustaining fund set up by Melbourne City Council which invests funds in projects with environmental benefits to the City. The projects may extend beyond the boundaries of Melbourne City Council to the broader state of Victoria, reflecting the position of Melbourne as the capital city of Victoria.

These entities support Melbourne City Council in providing services to the community.

Significant Interests:

The Melbourne City Council has a majority ownership of the MAPS Group Ltd through its holdings, however due to the structure of the company the Melbourne City Council do not have a majority of voting rights.

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 3. Revenues

(a) Rates

| | Consolidated | | Council | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| General Rates | | | | |
| Residential | 55,602 | 52,216 | 55,602 | 52,216 |
| Commercial and Retail | 131,994 | 125,209 | 131,994 | 125,209 |
| Cultural & Recreational Land Rates | 364 | 357 | 364 | 357 |
| Supplementary Rates | 5,348 | 3,814 | 5,348 | 3,814 |
| Objections/Exemptions | (504) | (926) | (504) | (926) |
| | 192,804 | 180,670 | 192,804 | 180,670 |

Melbourne City Council uses 'net annual value' as the basis of valuation of all properties within the municipal district. The net annual value of a property approximates the annual net rental for a commercial property and five per cent of the capital improved value for a residential property.

The date of the general valuation of land for rating purposes within the municipal district was 1 January 2010 and the valuation first applied to the rating period commencing 1 July 2010.

(b) Parking Fees

| | Consolidated | | Council | |
|-------------------------------|----------------|----------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| On street parking | 31,977 | 30,186 | 31,966 | 30,175 |
| Off street parking | 8,406 | 7,955 | 4,853 | 4,737 |
| Sporting/entertainment venues | 2 | 1,605 | 2 | 1,605 |
| Tow away fees | 1,739 | 1,485 | 1,739 | 1,485 |
| | 42,124 | 41,231 | 38,560 | 38,002 |

(c) Finance income

| | Consolidated | | Council | |
|---|----------------|----------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| Interest received from Investments | 8,732 | 6,906 | 7,879 | 6,301 |
| Interest due from Overdue Rates | 783 | 539 | 783 | 539 |
| Interest received from loan to CityWide Service Solutions | - | - | - | 1 |
| Other | 240 | 350 | 120 | 167 |
| | 9,755 | 7,795 | 8,782 | 7,008 |

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 3. Revenues

(d) Grants and other contributions were received in respect of the following:

| | Consolidated | | Council | |
|---|----------------|----------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| State Grants | | | | |
| Roads Corporation | 114 | 108 | 114 | 108 |
| Appropriation - Vic Grants Comm | 1,863 | 1,697 | 1,863 | 1,697 |
| Tobacco Act Reform Grants | 35 | 33 | 35 | 33 |
| School Crossing Supervisor | 74 | 49 | 74 | 49 |
| Pre School Services | 214 | 206 | 214 | 206 |
| Support Services for Families | 179 | 162 | 179 | 162 |
| Maternal & Child Health | 373 | 403 | 373 | 403 |
| Immunisation | 52 | 47 | 52 | 47 |
| Home & Community Serv Grant | 2,203 | 1,969 | 2,203 | 1,969 |
| Senior Citizens Week | 3 | - | 3 | - |
| Arts Grant | 10 | 340 | 10 | 340 |
| Flexible Respite Options Program | 35 | 33 | 35 | 33 |
| Drugs Program Grant | 33 | 32 | 33 | 32 |
| Disability Services Grant | 104 | 101 | 104 | 101 |
| Butt Littering Trust | - | - | - | - |
| Parking Levy Operating Grant | 150 | 1,346 | 150 | 1,346 |
| Other | 3,326 | 1,892 | 2,604 | 1,725 |
| | 8,768 | 8,418 | 8,046 | 8,251 |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| Federal Grants | | | | |
| Federal Grant - Aged & Disability | 170 | 150 | 170 | 150 |
| Special Needs Subsidy Scheme | 50 | 68 | 50 | 68 |
| Federal Grant - Immunisation Register | 24 | 25 | 24 | 25 |
| Federal Grant- Other | 120 | 1,108 | 120 | 1,108 |
| | 364 | 1,351 | 364 | 1,351 |
| Capital Grants | | | | |
| Capital Grants | 8,498 | 9,852 | 8,498 | 9,852 |
| Parking Levy Capital Grant | 4,850 | 3,654 | 4,850 | 3,654 |
| Public Open Space Contributions | 2,213 | 2,001 | 2,213 | 2,001 |
| | 15,561 | 15,507 | 15,561 | 15,507 |
| Total Other | | | | |
| Other Contributions | 412 | 614 | 412 | 614 |
| Child Care Benefit | 1,110 | 1,138 | 1,110 | 1,138 |
| Sponsorships | 1,468 | 1,601 | 1,468 | 1,601 |
| | 2,990 | 3,353 | 2,990 | 3,353 |
| Total Grants & Other Contributions | 27,683 | 28,629 | 26,961 | 28,462 |

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 3. Revenues

(e) Conditions over contributions

Grants recognised as revenues during the financial year and which were obtained on the condition that they be expended in a specific manner that had not occurred at balance date were:

Grants for capital works
 Grants for other purposes

Deduct

(i) Grants which were recognised as revenues in a prior year and which were expended during the current year in the manner specified by the grantor were:

Grants for capital works
 Grants for other purposes

Net increase/(decrease) in restricted assets resulting from grant revenues for the financial year

| | Consolidated | | Council | |
|---|--------------|--------------|--------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Grants for capital works | 4,214 | 158 | 4,214 | 158 |
| Grants for other purposes | 1,872 | 1,729 | 1,872 | 1,729 |
| | 6,086 | 1,887 | 6,086 | 1,887 |
| Deduct | | | | |
| (i) Grants which were recognised as revenues in a prior year and which were expended during the current year in the manner specified by the grantor were: | | | | |
| Grants for capital works | 158 | 570 | 158 | 570 |
| Grants for other purposes | 1,729 | 419 | 1,729 | 419 |
| | 1,887 | 989 | 1,887 | 989 |
| Net increase/(decrease) in restricted assets resulting from grant revenues for the financial year | 4,199 | 898 | 4,199 | 898 |

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 4. Expenses

| | Consolidated | | Council | |
|--|----------------|----------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| (a) Employee benefit expense | | | | |
| Wages and Salaries | 142,771 | 125,582 | 86,204 | 77,502 |
| Annual Leave and Long Service Leave | 17,336 | 14,266 | 11,918 | 9,706 |
| Fringe Benefits | 1,552 | 1,448 | 504 | 517 |
| WorkCover | 2,187 | 1,825 | 886 | 580 |
| Superannuation | 12,226 | 10,769 | 7,764 | 6,971 |
| | 176,072 | 153,890 | 107,276 | 95,276 |
| (b) Contract Payments, Materials and Services | | | | |
| Contract Payments | 112,609 | 91,536 | 101,851 | 96,500 |
| Other Materials and Services | 88,282 | 80,622 | 38,810 | 39,171 |
| | 200,891 | 172,158 | 140,661 | 135,671 |
| (c) Auditors' Remuneration | | | | |
| Audit Services - VAGO | 216 | 205 | 109 | 108 |
| Audit Services - Other Audits | 46 | 25 | 45 | 25 |
| Audit Services - Internal | 427 | 454 | 256 | 251 |
| | 689 | 684 | 410 | 384 |
| (d) Depreciation and amortisation | | | | |
| Buildings | 4,476 | 4,112 | 4,260 | 3,868 |
| Buildings - Leasehold Improvements | 234 | 349 | 133 | 133 |
| Heritage Assets | 947 | 812 | 947 | 812 |
| Wharves and Promenades | 1,034 | 1,346 | 1,034 | 1,346 |
| Plant and equipment | 14,165 | 13,793 | 4,438 | 4,392 |
| Statues, Sculptures, and Artwork | 549 | 513 | 549 | 513 |
| Roads & Laneways | 6,073 | 5,294 | 6,073 | 5,519 |
| Roads & Laneways - Seal | 2,989 | 3,521 | 2,989 | 3,296 |
| Footpaths | 12,169 | 12,069 | 12,169 | 12,069 |
| Kerb & Channel | 4,718 | 4,300 | 4,718 | 4,300 |
| Bridges | 1,253 | 1,220 | 1,253 | 1,220 |
| Drains | 907 | 699 | 907 | 699 |
| Irrigation Systems | 1,346 | 1,463 | 1,346 | 1,463 |
| Parks and Gardens infrastructure | 4,457 | 4,384 | 4,457 | 4,384 |
| Other Structures | 231 | 221 | 231 | 221 |
| Furniture and fittings | 631 | 634 | 520 | 512 |
| | 56,179 | 54,730 | 46,024 | 44,747 |
| Amortisation of intangibles | 2,383 | 1,878 | 2,383 | 1,878 |
| | 58,562 | 56,608 | 48,407 | 46,625 |
| (e) Finance Costs | | | | |
| Insurance | 3,067 | 3,328 | 1,750 | 2,216 |
| Bad and Doubtful debts | 225 | 51 | 30 | (17) |
| Provision for Doubtful PINS | 7,650 | 7,386 | 7,651 | 7,386 |
| Other Financial Costs | 3,156 | 2,814 | 2,080 | 2,207 |
| | 14,098 | 13,579 | 11,511 | 11,792 |
| (f) Other Expenses | | | | |
| Grants and Contributions | 16,572 | 16,521 | 16,572 | 16,521 |
| Fire Brigade levy | 3,616 | 3,443 | 3,616 | 3,443 |
| Taxes and Levies | 860 | 838 | 267 | 243 |
| | 21,048 | 20,802 | 20,455 | 20,207 |

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 5. Trade and other receivables

| | Consolidated | | Council | |
|--|----------------|----------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| Current | | | | |
| Rates | 2,239 | 2,008 | 2,239 | 2,008 |
| Parking Infringement Debtors | 27,870 | 27,394 | 27,870 | 27,394 |
| Provision for Debts - Parking Infringement | (15,557) | (15,593) | (15,557) | (15,593) |
| Other Debtors | 35,933 | 21,323 | 6,396 | 4,234 |
| Provision for Doubtful Debts - Other Debtors | (924) | (704) | (448) | (418) |
| GST Receivable | 3,735 | 3,831 | 4,671 | 3,839 |
| | 53,296 | 38,259 | 25,171 | 21,464 |

| | Consolidated | | Council | |
|--|----------------|----------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| Other Debtors | | | | |
| Ageing of past due but not impaired | | | | |
| 60-90 days | 215 | 155 | 124 | 40 |
| 90-120 days | 147 | 226 | 57 | 151 |
| 120+ days | 747 | 373 | 429 | 328 |
| Total | 1,109 | 754 | 610 | 519 |

| | Consolidated | | Council | |
|---|----------------|----------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| Provision for doubtful debts | | | | |
| Provision for Doubtful Debts - Parking Infringement | 15,557 | 15,593 | 15,557 | 15,593 |
| Provision for Doubtful Debts - Other Debtors | 924 | 704 | 448 | 418 |
| Total | 16,481 | 16,297 | 16,005 | 16,011 |

| | Consolidated | | Council | |
|--|----------------|----------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| Movement in doubtful debts - Parking Infringement | | | | |
| Balance at the beginning of the year | 15,593 | 13,336 | 15,593 | 13,336 |
| New provisions recognised | 7,651 | 7,386 | 7,651 | 7,386 |
| Amounts written off as uncollectible | (7,687) | (5,129) | (7,687) | (5,129) |
| Balance at the end of the year | 15,557 | 15,593 | 15,557 | 15,593 |

| | Consolidated | | Council | |
|---|----------------|----------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| Movement in doubtful debts - Other Debtors | | | | |
| Balance at the beginning of the year | 704 | 842 | 418 | 441 |
| New provisions recognised | 336 | 84 | 64 | 71 |
| Amounts written off as uncollectible | (116) | (179) | (34) | (94) |
| Amounts recovered during the year | - | (43) | - | - |
| Balance at the end of the year | 924 | 704 | 448 | 418 |

Note 6. Inventories

| | Consolidated | | Council | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| Stores and Raw Materials | 412 | 483 | - | - |
| Provision for Obsolete Stock | (5) | (5) | - | - |
| | 407 | 478 | - | - |

Note 7. Other financial assets

CURRENT

| | Consolidated | | Council | |
|---|----------------|----------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| Other Financial Assets | | | | |
| BT Institutional Enhanced Fixed Interest Fund | - | 14,664 | - | 14,664 |
| | - | 14,664 | - | 14,664 |

NON-CURRENT

| | Consolidated | | Council | |
|---|----------------|----------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| Interests in Controlled Entities: | | | | |
| CityWide Service Solutions Pty Ltd | - | - | 18,406 | 18,406 |
| Queen Victoria Market Pty Ltd | - | - | 200 | 200 |
| Melbourne Wholesale Fish Market Pty Ltd | - | - | 5,000 | 5,000 |
| Investment in Sustainable Melbourne Fund | - | - | 6,329 | 6,273 |
| | - | - | 29,935 | 29,879 |
| Interests in Non- Controlled Entities: | | | | |
| Baycorp Advantage Limited | - | 16 | - | 16 |
| Regent Management Company Pty Ltd | 2,776 | 2,776 | 2,776 | 2,776 |
| MAPS Group Ltd | 250 | 250 | 250 | 250 |
| | 3,026 | 3,042 | 3,026 | 3,042 |
| | 3,026 | 3,042 | 32,961 | 32,921 |

Note 8. Other Assets

| | Consolidated | | Council | |
|-----------------------------|----------------|----------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| Prepayments | 1,153 | 893 | 241 | 50 |
| Tax equivalents & Dividends | - | - | 6,022 | 4,596 |
| | 1,153 | 893 | 6,263 | 4,646 |

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 9. Property, plant, equipment and infrastructure

| | Consolidated | | Council | |
|---|------------------|------------------|------------------|------------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| Land - Freehold | | | | |
| At Council's valuation (i) | 168,833 | 153,462 | 168,833 | 153,462 |
| At Independent valuation | - | 7,750 | - | - |
| At cost | 16,105 | 16,105 | - | - |
| | 184,938 | 177,317 | 168,833 | 153,462 |
| Land - Other Controlled | | | | |
| At Council's valuation (i) | 1,308,530 | 1,181,150 | 1,308,530 | 1,181,150 |
| Land - Under Roads | | | | |
| At Council's deemed cost (i) | 11,380 | 10,770 | 11,380 | 10,770 |
| Buildings on Freehold Land | | | | |
| At Council's valuation (i) | 70,350 | 65,495 | 66,470 | 65,495 |
| At cost | 578 | 4,455 | - | - |
| Accumulated depreciation | (1,425) | (1,209) | - | - |
| | 69,503 | 68,741 | 66,470 | 65,495 |
| Buildings on Other Controlled Land | | | | |
| At Council's valuation (i) | 37,958 | 33,756 | 37,958 | 33,756 |
| Buildings - Leasehold Improvements | | | | |
| At cost | 4,552 | 4,436 | 2,269 | 2,269 |
| Accumulated depreciation | (2,329) | (2,095) | (567) | (434) |
| | 2,223 | 2,341 | 1,702 | 1,835 |
| Heritage Buildings | | | | |
| At Council's valuation (i) | 88,956 | 91,026 | 88,956 | 91,026 |
| Promenades and Wharves | | | | |
| At Council's valuation (ii) | 63,561 | 64,576 | 63,561 | 64,576 |
| Plant and Equipment | | | | |
| At cost | 135,420 | 120,364 | 43,850 | 40,108 |
| Accumulated depreciation | (74,372) | (61,730) | (23,542) | (19,533) |
| | 61,048 | 58,634 | 20,308 | 20,575 |
| Furniture and Fittings | | | | |
| At cost | 6,007 | 5,823 | 4,986 | 4,888 |
| Accumulated depreciation | (3,302) | (2,643) | (2,568) | (2,048) |
| | 2,705 | 3,180 | 2,418 | 2,840 |
| Statues, Sculptures and Artworks | | | | |
| At cost | 51,060 | 49,561 | 51,060 | 49,561 |
| Accumulated depreciation | (4,294) | (3,744) | (4,294) | (3,744) |
| | 46,766 | 45,817 | 46,766 | 45,817 |
| Roads & Laneways | | | | |
| At Council's valuation (ii) | 436,907 | 440,205 | 436,907 | 440,205 |
| Roads & Laneways - Seal | | | | |
| At Council's valuation (ii) | 30,182 | 26,266 | 30,182 | 26,266 |
| Footpaths | | | | |
| At Council's valuation (ii) | 131,897 | 121,722 | 131,897 | 121,722 |
| Kerb & Channel | | | | |
| At Council's valuation (ii) | 114,808 | 111,318 | 114,808 | 111,318 |

MELBOURNE CITY COUNCIL**Notes to the financial statements****For the year ended 30 June 2011****Note 9. Property, plant, equipment and infrastructure (cont):**

| | Consolidated | | Council | |
|--|------------------|------------------|------------------|------------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| Bridges | | | | |
| At Council's valuation (ii) | 84,805 | 86,015 | 84,805 | 86,015 |
| Drains | | | | |
| At Council's valuation (ii) | 80,531 | 75,491 | 80,531 | 75,491 |
| Irrigation | | | | |
| At Council's valuation (iii) | 18,801 | 17,074 | 18,801 | 17,074 |
| Accumulated depreciation | (1,346) | - | (1,346) | - |
| | 17,455 | 17,074 | 17,455 | 17,074 |
| Parks and Gardens Infrastructure | | | | |
| At Council's valuation (iv) | 66,490 | 62,734 | 66,490 | 62,734 |
| Trees | | | | |
| At Council's valuation (v) | 34,133 | 33,566 | 34,133 | 33,566 |
| Other Structures | | | | |
| At cost | 3,946 | 3,660 | 3,946 | 3,660 |
| Accumulated depreciation-cost | (1,367) | (1,136) | (1,367) | (1,136) |
| | 2,579 | 2,524 | 2,579 | 2,524 |
| Works in Progress | | | | |
| At cost | 81,435 | 77,545 | 81,353 | 77,102 |
| Total Property, Plant, Equipment and Infrastructure | 2,958,790 | 2,791,768 | 2,898,022 | 2,725,319 |

The basis of valuation is included under note 1(k) in the financial report and have been conducted as follows:

- (i) Valuations of Council Land and Buildings were determined by David Slicer, Senior Valuer, Property Services Branch, Melbourne City Council.
- (ii) Valuations of Infrastructure Assets (Roads & Laneways, Footpaths, Kerb & Channel, Bridges and Drains) were determined by Michael Norton (Principal Engineer - Infrastructure, Engineering Services Branch), Melbourne City Council.
- (iii) Valuation of Irrigation Assets were determined by Eugene Stackpole (Asset Management Officer) Parks Services Branch, Melbourne City Council.
- (iv) Valuation of Parks and Gardens Infrastructure were determined by Eugene Stackpole (Asset Management Officer, Parks Services Branch), David Slicer (Senior Valuer, Property Services Branch), Melbourne City Council.
- (v) Valuations of Trees were determined by Ian Shears - Senior Tree Planner of Parks Services Branch, Melbourne City Council.

All the above valuations were completed as at 30 June 2011 for Council. Valuations for 30 June 2011 are at fair value. Unless otherwise stated the carrying value of each class of asset measured at fair value at balance date materially reflects their fair value at that date.

MELBOURNE CITY COUNCIL**Notes to the financial statements****For the year ended 30 June 2011****Note 9. Property, plant, equipment and infrastructure (continued)**

| (a) Consolidated 30 June 2011 Asset Classes | Carrying amount at 30 June 2010 \$'000 | Revaluations \$'000 | Additions \$'000 | Disposals \$'000 | Depreciation \$'000 | Carrying amount at 30 June 2011 \$'000 |
|---|---|------------------------|---------------------|---------------------|------------------------|---|
| Land - Freehold | 177,317 | 15,371 | - | (7,750) | - | 184,938 |
| Land - Other Controlled | 1,181,149 | 124,791 | 2,590 | - | - | 1,308,530 |
| Buildings on Freehold Land | 68,742 | (782) | 4,183 | - | (2,640) | 69,503 |
| Buildings on Other Controlled Land | 33,756 | (393) | 6,430 | - | (1,835) | 37,958 |
| Buildings - Leasehold Improvements | 2,341 | - | 117 | - | (235) | 2,223 |
| Heritage Assets | 91,026 | (5,602) | 4,479 | - | (947) | 88,956 |
| Promenades and Wharves | 64,574 | 20 | - | - | (1,033) | 63,561 |
| Plant and Equipment | 58,642 | - | 17,656 | (1,083) | (14,167) | 61,048 |
| Furniture and Fittings | 3,174 | - | 164 | - | (633) | 2,705 |
| Statues, Sculptures and Artworks | 45,818 | - | 1,497 | - | (549) | 46,766 |
| Roads & Laneways - Substructure | 440,203 | 2,776 | 165 | (165) | (6,072) | 436,907 |
| Roads & Laneways - Seal | 26,267 | (797) | 7,704 | (3) | (2,989) | 30,182 |
| Land Under Roads | 10,770 | - | 610 | - | - | 11,380 |
| Footpaths | 121,724 | 12,891 | 9,456 | (5) | (12,169) | 131,897 |
| Kerb & Channel | 111,319 | 5,702 | 2,536 | (32) | (4,717) | 114,808 |
| Bridges | 86,015 | 42 | - | - | (1,252) | 84,805 |
| Drains | 75,489 | 4,145 | 1,803 | - | (906) | 80,531 |
| Irrigation | 17,071 | - | 1,730 | - | (1,346) | 17,455 |
| Parks and Gardens Infrastructure | 62,735 | 172 | 8,040 | - | (4,457) | 66,490 |
| Trees | 33,566 | (763) | 1,330 | - | - | 34,133 |
| Other Structures | 2,525 | - | 286 | - | (232) | 2,579 |
| Works in Progress* | 77,545 | - | 3,890 | - | - | 81,435 |
| | 2,791,768 | 157,573 | 74,666 | (9,038) | (56,179) | 2,958,790 |

| (a) Consolidated 30 June 2010 Asset Classes | Carrying amount at 30 June 2009 \$'000 | Revaluations \$'000 | Additions \$'000 | Disposals \$'000 | Depreciation \$'000 | Carrying amount at 30 June 2010 \$'000 |
|---|---|------------------------|---------------------|---------------------|------------------------|---|
| Land - Freehold | 151,325 | 25,838 | 154 | - | - | 177,317 |
| Land - Other Controlled | 1,164,840 | 80,894 | 4,035 | (68,620) | - | 1,181,149 |
| Buildings on Freehold Land | 69,032 | (457) | 2,690 | - | (2,523) | 68,742 |
| Buildings on Other Controlled Land | 31,450 | 1,998 | 2,233 | (336) | (1,589) | 33,756 |
| Buildings - Leasehold Improvements | 2,624 | - | 66 | - | (349) | 2,341 |
| Heritage Assets | 81,136 | 10,702 | - | - | (812) | 91,026 |
| Promenades and Wharves | 75,356 | 54 | (9,731) | - | (1,103) | 64,576 |
| Plant and Equipment | 55,328 | - | 18,476 | (1,372) | (13,793) | 58,639 |
| Furniture and Fittings | 3,481 | - | 327 | - | (634) | 3,174 |
| Statues, Sculptures and Artworks | 46,331 | - | - | - | (513) | 45,818 |
| Roads & Laneways - Substructure | 408,412 | 32,191 | 5,144 | (23) | (5,519) | 440,203 |
| Roads & Laneways - Seal | 24,716 | (1,302) | 6,149 | - | (3,296) | 26,267 |
| Land Under Roads | 6,590 | - | 4,180 | - | - | 10,770 |
| Footpaths | 108,905 | 4,588 | 20,541 | - | (12,312) | 121,724 |
| Kerb & Channel | 106,110 | 5,912 | 3,596 | - | (4,300) | 111,319 |
| Bridges | 81,297 | 3,419 | 2,521 | - | (1,220) | 86,017 |
| Drains | 69,976 | 4,007 | 2,205 | - | (699) | 75,489 |
| Irrigation | 16,919 | 1,949 | 1,328 | (1,662) | (1,463) | 17,071 |
| Parks and Gardens Infrastructure | 55,791 | 9,060 | 6,049 | (3,781) | (4,384) | 62,735 |
| Trees | 33,184 | 36 | 801 | (455) | - | 33,566 |
| Other Structures | 2,746 | - | - | - | (221) | 2,525 |
| Works in Progress* | 63,705 | - | 13,840 | - | - | 77,545 |
| | 2,659,254 | 178,889 | 84,604 | (76,249) | (54,730) | 2,791,768 |

* Works in progress addition figure is a net amount consisting of \$65.40 million additional works in progress and \$61.51 million of assets capitalised during the financial year 2010/11.

MELBOURNE CITY COUNCIL**Notes to the financial statements****For the year ended 30 June 2011****Note 9. Property, plant, equipment and infrastructure (continued)**

| (b) Council 30 June 2011 Asset Classes | Carrying amount at 30 June 2010 \$'000 | Revaluations \$'000 | Additions \$'000 | Disposals \$'000 | Depreciation \$'000 | Carrying amount at 30 June 2011 \$'000 |
|--|---|------------------------|---------------------|---------------------|------------------------|---|
| Land - Freehold | 153,462 | 15,371 | - | - | - | 168,833 |
| Land - Other Controlled | 1,181,149 | 124,791 | 2,590 | - | - | 1,308,530 |
| Buildings on Freehold Land | 65,496 | (782) | 4,180 | - | (2,424) | 66,470 |
| Buildings on Other Controlled Land | 33,756 | (393) | 6,430 | - | (1,835) | 37,958 |
| Buildings - Leasehold Improvements | 1,835 | - | - | - | (133) | 1,702 |
| Heritage Assets | 91,026 | (5,602) | 4,479 | - | (947) | 88,956 |
| Promenades and Wharves | 64,575 | 20 | - | - | (1,034) | 63,561 |
| Plant and Equipment | 20,580 | - | 4,883 | (714) | (4,441) | 20,308 |
| Furniture and Fittings | 2,832 | - | 106 | - | (520) | 2,418 |
| Statues, Sculptures and Artworks | 45,818 | - | 1,497 | - | (549) | 46,766 |
| Roads & Laneways - Substructure | 440,203 | 2,776 | 165 | (165) | (6,072) | 436,907 |
| Roads & Laneways - Seal | 26,270 | (797) | 7,701 | (3) | (2,989) | 30,182 |
| Land Under Roads | 10,770 | - | 610 | - | - | 11,380 |
| Footpaths | 121,724 | 12,891 | 9,456 | (5) | (12,169) | 131,897 |
| Kerb & Channel | 111,319 | 5,702 | 2,536 | (32) | (4,717) | 114,808 |
| Bridges | 86,016 | 42 | - | - | (1,253) | 84,805 |
| Drains | 75,489 | 4,145 | 1,803 | - | (906) | 80,531 |
| Irrigation | 17,071 | - | 1,730 | - | (1,346) | 17,455 |
| Parks and Gardens Infrastructure | 62,733 | 172 | 8,042 | - | (4,457) | 66,490 |
| Trees | 33,566 | (763) | 1,330 | - | - | 34,133 |
| Other Structures | 2,525 | - | 286 | - | (232) | 2,579 |
| Works in Progress* | 77,104 | - | 4,249 | - | - | 81,353 |
| | 2,725,319 | 157,573 | 62,073 | (919) | (46,024) | 2,898,022 |

| (b) Council 30 June 2010 Asset Classes | Carrying amount at 30 June 2009 \$'000 | Revaluations \$'000 | Additions \$'000 | Disposals \$'000 | Depreciation \$'000 | Carrying amount at 30 June 2010 \$'000 |
|--|---|------------------------|---------------------|---------------------|------------------------|---|
| Land - Freehold | 131,379 | 21,928 | 154 | - | - | 153,461 |
| Land - Other Controlled | 1,164,840 | 80,894 | 4,035 | (68,620) | - | 1,181,149 |
| Buildings on Freehold Land | 65,783 | (457) | 2,449 | - | (2,279) | 65,496 |
| Buildings on Other Controlled Land | 31,450 | 1,998 | 2,233 | (336) | (1,589) | 33,756 |
| Buildings - Leasehold Improvements | 1,971 | - | - | - | (133) | 1,838 |
| Heritage Assets | 81,136 | 10,702 | - | - | (812) | 91,026 |
| Promenades and Wharves | 75,357 | 54 | (9,731) | - | (1,103) | 64,577 |
| Plant and Equipment | 19,355 | - | 6,489 | (872) | (4,392) | 20,580 |
| Furniture and Fittings | 3,056 | - | 288 | - | (512) | 2,832 |
| Statues, Sculptures and Artworks | 46,331 | - | - | - | (513) | 45,818 |
| Roads & Laneways - Substructure | 408,410 | 32,191 | 5,144 | (23) | (5,519) | 440,203 |
| Roads & Laneways - Seal | 24,719 | (1,302) | 6,149 | - | (3,296) | 26,270 |
| Land Under Roads | 6,590 | - | 4,180 | - | - | 10,770 |
| Footpaths | 108,907 | 4,588 | 20,541 | - | (12,312) | 121,724 |
| Kerb & Channel | 106,111 | 5,912 | 3,596 | - | (4,300) | 111,319 |
| Bridges | 81,296 | 3,419 | 2,521 | - | (1,220) | 86,016 |
| Drains | 69,976 | 4,007 | 2,205 | - | (699) | 75,489 |
| Irrigation | 16,918 | 1,949 | 1,328 | (1,662) | (1,463) | 17,070 |
| Parks and Gardens Infrastructure | 55,789 | 10,233 | 4,876 | (3,781) | (4,384) | 62,733 |
| Trees | 33,184 | 36 | 801 | (455) | - | 33,566 |
| Other Structures | 2,746 | - | - | - | (221) | 2,525 |
| Works in Progress* | 63,637 | - | 13,464 | - | - | 77,101 |
| | 2,598,941 | 176,152 | 70,722 | (75,749) | (44,747) | 2,725,319 |

* Works in progress addition figure is a net amount consisting of \$65.30 million additional works in progress and \$61.05 million of assets capitalised during the financial year 2010/11.

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 10. Intangible assets

| (a) Consolidated Asset Classes | Carrying amount at | Additions | Disposals | Amortisation | Carrying amount at | Additions | Disposals | Amortisation | Carrying amount at |
|-----------------------------------|-----------------------|-----------|-----------|--------------|-----------------------|-----------|-----------|--------------|-----------------------|
| | 30 June 2009 | | | | 30 June 2010 | | | | 30 June 2011 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Goodwill | | | | | | | | | |
| Net Book value | 9,851 | - | - | - | 9,851 | 7,863 | - | - | 17,714 |
| Licence Agreement | - | - | - | - | - | - | - | - | - |
| Computer Software | | | | | | | | | |
| Cost | 14,226 | 2,636 | - | - | 16,862 | 4,755 | - | - | 21,617 |
| Accumulated amortisation | (10,579) | - | - | (1,878) | (12,457) | - | - | (2,383) | (14,840) |
| Net Book value | 3,647 | 2,636 | - | (1,878) | 4,405 | 4,755 | - | (2,383) | 6,777 |
| | 13,498 | 2,636 | - | (1,878) | 14,256 | 12,618 | - | (2,383) | 24,491 |
| (b) Council | | | | | | | | | |
| Asset Classes | Carrying amount at | Additions | Disposals | Amortisation | Carrying amount at | Additions | Disposals | Amortisation | Carrying amount at |
| | 30 June 2009 | | | | 30 June 2010 | | | | 30 June 2011 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Licence Agreement | - | - | - | - | - | - | - | - | - |
| Computer Software | | | | | | | | | |
| Cost | 14,226 | 2,636 | - | - | 16,862 | 4,755 | - | - | 21,617 |
| Accumulated amortisation | (10,579) | - | - | (1,878) | (12,457) | - | - | (2,383) | (14,840) |
| Net Book value | 3,647 | 2,636 | - | (1,878) | 4,405 | 4,755 | - | (2,383) | 6,777 |
| | 3,647 | 2,636 | - | (1,878) | 4,405 | 4,755 | - | (2,383) | 6,777 |

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 11. Investment property

| | Consolidated | | Council | |
|---|----------------|----------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| (a) Amounts recognised in Income Statement for Investment Properties | | | | |
| Property Rental | 9,686 | 9,313 | 9,686 | 9,313 |
| Operating Expenses for rental generating properties | 980 | 2,307 | 980 | 2,307 |
| Operating Expenses for non rental generating properties | 6,623 | 6,493 | 6,623 | 6,493 |
| (b) Reconciliation of carrying amounts | | | | |
| Land | | | | |
| Carrying amount at beginning | 32,101 | 32,255 | 32,101 | 32,255 |
| Net gain/(loss) from fair value adjustment | - | - | - | - |
| Additions | - | (154) | - | (154) |
| Disposals | - | - | - | - |
| Carrying amount at end of period | <u>32,101</u> | <u>32,101</u> | <u>32,101</u> | <u>32,101</u> |
| Buildings | | | | |
| Carrying amount at beginning | 64,795 | 57,191 | 64,795 | 57,191 |
| Net gain/(loss) from fair value adjustment | - | - | - | - |
| Additions | 538 | 7,604 | 538 | 7,604 |
| Disposals | - | - | - | - |
| Carrying amount at end of period | <u>65,333</u> | <u>64,795</u> | <u>65,333</u> | <u>64,795</u> |
| Total Investment Properties | <u>97,434</u> | <u>96,896</u> | <u>97,434</u> | <u>96,896</u> |

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 12. Trade and other payables

| | Consolidated | | Council | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| Current | | | | |
| Trade Creditors General | 20,642 | 7,818 | 13,185 | 917 |
| Docklands Payable | 2,500 | 1,500 | 2,500 | 1,500 |
| Deposits and retention amounts | 3,765 | 3,688 | 1,833 | 1,969 |
| Accruals | 45,835 | 30,929 | 32,057 | 23,966 |
| Income in Advance | 2,744 | 3,094 | 193 | 789 |
| | 75,486 | 47,029 | 49,768 | 29,141 |

Note 12(a) Trade and other payables (Non-Current)

| | Consolidated | | Council | |
|--------------------|----------------|----------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| Non-Current | | | | |
| Docklands Payable | 4,282 | 6,322 | 4,282 | 6,322 |
| | 4,282 | 6,322 | 4,282 | 6,322 |

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 13. Employee benefits

| | Consolidated | | Council | |
|---|----------------|----------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| (a) Current | | | | |
| Long Service Leave | 18,803 | 14,986 | 14,261 | 11,338 |
| Annual Leave | 13,865 | 12,626 | 8,591 | 8,096 |
| Other | 167 | 168 | - | - |
| | 32,835 | 27,780 | 22,852 | 19,434 |
| (b) Non-Current | | | | |
| Long Service Leave | 4,654 | 5,735 | 2,532 | 3,908 |
| | 4,654 | 5,735 | 2,532 | 3,908 |
| Total Employee Benefits | 37,489 | 33,515 | 25,384 | 23,342 |
| (c) Reconciliation of movements | | | | |
| Annual Leave | | | | |
| Balance at the beginning of the financial year | 12,626 | 11,727 | 8,096 | 7,551 |
| Additional provisions | 8,809 | 7,485 | 8,065 | 7,131 |
| Amounts used | (7,570) | (6,584) | (7,570) | (6,584) |
| Increase in the discounted amount because of time and the effect of any change in the discount rate | - | (2) | - | (2) |
| Balance at the end of the financial year | 13,865 | 12,626 | 8,591 | 8,096 |
| Long Service Leave | | | | |
| Balance at the beginning of the financial year | 20,721 | 18,961 | 15,246 | 14,220 |
| Additional provisions | 4,886 | 2,301 | 3,697 | 1,567 |
| Amounts used | (2,118) | (1,360) | (2,118) | (1,360) |
| Increase(Decrease) in the discounted amount because of time and the effect of any change in the discount rate | (32) | 819 | (32) | 819 |
| Balance at the end of the financial year | 23,457 | 20,721 | 16,793 | 15,246 |
| Other | | | | |
| Balance at the beginning of the financial year | 168 | - | - | - |
| Additional provisions | - | 168 | - | - |
| Amounts used | (1) | - | - | - |
| Balance at the end of the financial year | 167 | 168 | - | - |
| (e) Current Employee Benefits Disclosure | | | | |
| Employee Benefits entitlements | | | | |
| - that fall due within 12 months after the end of the period measured at nominal value | 15,019 | 13,610 | 9,578 | 8,938 |
| - that do not fall due within 12 months after the end of the period measured at present value | 17,816 | 14,170 | 13,274 | 10,496 |
| | 32,835 | 27,780 | 22,852 | 19,434 |

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 14. Provisions

| | Consolidated | | Council | |
|--|----------------|----------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| (a) Current | | | | |
| Insurance claims | 706 | 551 | 706 | 551 |
| Other | 894 | 959 | 630 | 765 |
| | 1,600 | 1,510 | 1,336 | 1,316 |
| (b) Reconciliation of movements | | | | |
| Insurance Claims | | | | |
| Balance at the beginning of the financial year | 551 | 167 | 551 | 167 |
| Additional provisions | 266 | 496 | 266 | 496 |
| Amounts used | (111) | (112) | (111) | (112) |
| Balance at the end of the financial year | 706 | 551 | 706 | 551 |
| Other | | | | |
| Balance at the beginning of the financial year | 959 | 455 | 765 | 300 |
| Additional provisions | 17 | 504 | - | 465 |
| Amounts used | (82) | - | (135) | - |
| Balance at the end of the financial year | 894 | 959 | 630 | 765 |

Note 15. Reserves

| Composition | Consolidated | | Council | |
|---------------------------------------|------------------|------------------|------------------|------------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| Asset Revaluation (i) | 1,407,584 | 1,255,716 | 1,400,939 | 1,244,557 |
| Reserve for Public Open Space (ii) | 3,665 | 2,539 | 3,665 | 2,539 |
| Investments Revaluation Reserve (iii) | - | (336) | - | (336) |
| | 1,411,249 | 1,257,919 | 1,404,604 | 1,246,760 |

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 15. Reserves (continued)

(i) Movement in Reserves -Asset Revaluation Reserve

| Consolidated | Carrying amount at 2009 \$'000 | Increment (decrement) \$'000 | Carrying amount at 2010 \$'000 | Increment (decrement) \$'000 | Transfer to Accum Surplus | Carrying amount at 2011 \$'000 |
|----------------------------------|---|------------------------------------|---|------------------------------------|---------------------------------|---|
| Property | | | | | | |
| Land | 702,678 | 102,822 | 805,500 | 140,162 | (4,514) | 941,148 |
| Buildings | 34,138 | 12,243 | 46,381 | (6,777) | - | 39,604 |
| Infrastructure | | | | | | |
| Roads & Laneways | 114,064 | 30,890 | 144,954 | 1,979 | - | 146,933 |
| Footpaths | 56,855 | 4,586 | 61,441 | 12,891 | - | 74,332 |
| Kerb & Channel | 83,936 | 5,912 | 89,848 | 5,702 | - | 95,550 |
| Bridges | 18,861 | 3,419 | 22,280 | 42 | - | 22,322 |
| Drains | 3,261 | 4,007 | 7,268 | 4,145 | - | 11,413 |
| Promenades and Wharves | 2,733 | 54 | 2,787 | 20 | - | 2,807 |
| Parks and Gardens Infrastructure | 34,291 | 10,233 | 44,524 | 172 | - | 44,696 |
| Trees | 10,481 | 36 | 10,517 | (763) | - | 9,754 |
| Other structures | 206 | - | 206 | - | - | 206 |
| P&G Irrigation | 4,819 | 1,950 | 6,769 | - | - | 6,769 |
| Plant & Equipment | 547 | - | 547 | - | (547) | - |
| Computer Equipment | 635 | - | 635 | - | (635) | - |
| Furniture & Fittings | 9 | - | 9 | - | (9) | - |
| Artworks | 5,404 | - | 5,404 | - | - | 5,404 |
| Asset Revaln Res - CW Services | 3,909 | 2,737 | 6,646 | - | - | 6,646 |
| | 1,076,827 | 178,889 | 1,255,716 | 157,573 | (5,705) | 1,407,584 |

(ii) Movement in Reserves -Asset Revaluation Reserve

| Council | Carrying amount at 2009 \$'000 | Increment (decrement) \$'000 | Carrying amount at 2010 \$'000 | Increment (decrement) \$'000 | Transfer to Accum Surplus | Carrying amount at 2011 \$'000 |
|----------------------------------|---|------------------------------------|---|------------------------------------|---------------------------------|---|
| Property | | | | | | |
| Land | 698,164 | 102,822 | 800,986 | 140,162 | - | 941,148 |
| Buildings | 34,136 | 12,245 | 46,381 | (6,777) | - | 39,604 |
| Infrastructure | | | | | | |
| Roads & Laneways | 114,067 | 30,887 | 144,954 | 1,979 | - | 146,933 |
| Footpaths | 56,855 | 4,586 | 61,441 | 12,891 | - | 74,332 |
| Kerb & Channel | 83,936 | 5,912 | 89,848 | 5,702 | - | 95,550 |
| Bridges | 18,860 | 3,421 | 22,281 | 42 | - | 22,323 |
| Drains | 3,260 | 4,007 | 7,267 | 4,145 | - | 11,412 |
| Promenades and Wharves | 2,734 | 53 | 2,787 | 20 | - | 2,807 |
| Parks and Gardens Infrastructure | 34,291 | 10,234 | 44,525 | 172 | - | 44,697 |
| Trees | 10,482 | 35 | 10,517 | (763) | - | 9,754 |
| Other structures | 206 | - | 206 | - | - | 206 |
| P&G Irrigation | 4,819 | 1,950 | 6,769 | - | - | 6,769 |
| Plant & Equipment | 547 | - | 547 | - | (547) | - |
| Computer Equipment | 635 | - | 635 | - | (635) | - |
| Furniture & Fittings | 9 | - | 9 | - | (9) | - |
| Artworks | 5,404 | - | 5,404 | - | - | 5,404 |
| | 1,068,405 | 176,152 | 1,244,557 | 157,573 | (1,191) | 1,400,939 |

MELBOURNE CITY COUNCIL**Notes to the financial statements****For the year ended 30 June 2011****Note 15. Reserves (continued)****(iii) Movements in Reserves - Reserve for Public Open Space**

| | Consolidated | | Council | |
|--|----------------|----------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| Balance at the beginning of the financial year | 2,539 | 2,139 | 2,539 | 2,139 |
| Transfers to accumulated reserves | 2,186 | 2,218 | 2,186 | 2,218 |
| Transfers from accumulated reserves | (1,060) | (1,818) | (1,060) | (1,818) |
| Balance at the end of the financial year | 3,665 | 2,539 | 3,665 | 2,539 |

(iv) Movements in Reserves - Investments Revaluation Reserve

| | Consolidated | | Council | |
|--|----------------|----------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| Balance at the beginning of the financial year | (336) | (725) | (336) | (725) |
| Transfers to accumulated reserves | 336 | 389 | 336 | 389 |
| Transfers from accumulated reserves | - | - | - | - |
| Balance at the end of the financial year | - | (336) | - | (336) |

Note 16. Gains/ (loss) on sale of fixed and intangible assets

| | Consolidated | | Council | |
|--|----------------|----------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| Land & Buildings | | | | |
| Proceeds from Sales | - | - | - | - |
| Carrying amount of assets sold | - | (336) | - | (336) |
| Gain/(Loss) on Sale | - | (336) | - | (336) |
| Plant, Equipment & Infrastructure | | | | |
| Proceeds from Sales | 3,389 | 932 | 3,082 | 932 |
| Carrying amount of assets sold/disposed | (1,001) | (749) | (919) | (917) |
| Gain/(Loss) on Sale | 2,388 | 183 | 2,163 | 15 |
| Total Proceeds from Sale of Assets | 3,389 | 932 | 3,082 | 932 |
| Total Carrying amount of Assets Sold | (1,001) | (1,085) | (919) | (1,253) |
| Total Gain/(Loss) on Sale | 2,388 | (153) | 2,163 | (321) |

Note 17. Cash flow information

(a) Reconciliation from net cash provided by operating activities to surplus(deficit)

| | Consolidated | | Council | |
|---|----------------|----------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| Comprehensive result | 202,213 | 155,990 | 194,764 | 150,033 |
| Non cash and other items included in Comprehensive Income for the year: | | | | |
| Depreciation and amortisation | 58,562 | 56,609 | 48,407 | 46,625 |
| (Gain)/Loss on sale of property, plant and equipment | (2,388) | 154 | (2,163) | 321 |
| Recognition of change in reserves | (157,909) | (179,277) | (157,909) | (176,542) |
| Finance costs from financing activities | 5,123 | 4,886 | 2,471 | 2,989 |
| Transfer of Assets to external parties | - | 74,496 | - | 74,496 |
| Contributed Assets | (1,993) | (17,255) | (1,993) | (17,255) |
| | | | | |
| Changes in assets and liabilities in relation to operating activities: | | | | |
| (Increase)/Decrease in Trade and other Receivables | (16,153) | (1,047) | (3,990) | 2,277 |
| (Increase)/Decrease in Other Assets | (260) | (67) | (1,617) | (13) |
| (Increase)/Decrease in Inventories | 71 | (96) | - | - |
| (Increase)/Decrease in Accrued Income | (3,214) | (766) | (415) | (835) |
| Increase/(Decrease) in Trade and other Payables | 26,690 | (5,723) | 16,681 | (14,050) |
| Increase/(Decrease) in Superannuation Liability | (3,270) | 802 | - | - |
| Increase/(Decrease) in Employee benefits | 3,974 | 2,827 | 2,042 | 1,570 |
| Increase/(Decrease) in Provisions | 90 | 888 | 20 | 849 |
| Net cash provided by operating activities | 111,536 | 92,421 | 96,298 | 70,465 |

(b) Cash and Cash Equivalents

Cash at the end of the financial year as shown in the balance sheet and the statement of cash flows comprises:

| | | | | |
|--|----------------|----------------|----------------|----------------|
| Cash on hand | 78 | 78 | 46 | 48 |
| Cash at bank | 4,225 | 6,278 | (107) | 3,315 |
| Bank Bills, Negotiable Certificates of Deposit | 164,671 | 108,749 | 151,647 | 99,538 |
| Cash and Cash Equivalents | 168,974 | 115,105 | 151,586 | 102,901 |
| Fixed Interest securities | - | 14,664 | - | 14,664 |
| | 168,974 | 129,769 | 151,586 | 117,565 |

(c) Restriction on Investments

Council has cash and cash equivalents (note 17b) that are subject to restrictions. As at the reporting date, Council had legislative restrictions in relation to employee entitlements (Long Service Leave) and reserve funds (Recreational Lands Reserves).

| | | | | |
|--------------------|---------------|---------------|---------------|---------------|
| Long Service Leave | 23,457 | 20,721 | 16,793 | 15,246 |
| Reserve Funds | 3,665 | 2,539 | 3,665 | 2,539 |
| | 27,122 | 23,260 | 20,458 | 17,785 |

Short-term deposits, bank bills, NCDs and fixed interest securities as at 30 June 2011, had a weighted average duration of approximately 222 days (2010: 249 days) and a weighted average interest rate of 6.25 per cent (2010 : 6.22 per cent).

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 18. Leases and Commitments

COMMITMENTS

(i) Operating leases payable

Operating lease rentals of property, contracted for at balance date, but not recognised as liabilities:

Not longer than 1 year

Longer than 1 year but no longer than 5 years

Longer than 5 years

| Consolidated | | Council | |
|--------------|------------|--------------|------------|
| 2011 | 2010 | 2011 | 2010 |
| \$'000 | \$'000 | \$'000 | \$'000 |
| 704 | 64 | 774 | 134 |
| 2,779 | 199 | 2,779 | 199 |
| 125 | 172 | 125 | 172 |
| 3,608 | 435 | 3,678 | 505 |

Operating Maintenance commitments

Payable within 1 year

Longer than 1 year but no longer than 5 years

| | | | |
|---------------|---------------|---------------|---------------|
| 7,467 | 6,400 | 7,467 | 6,400 |
| 14,949 | 20,648 | 14,949 | 20,648 |
| 22,416 | 27,048 | 22,416 | 27,048 |

Service Commitments*

Payable within 1 year

Payable later than 1 year but not later than 5 years

| | | | |
|---------------|---------------|----------------|----------------|
| 19,625 | 18,401 | 52,300 | 51,976 |
| 16,585 | 18,580 | 63,412 | 93,486 |
| 36,210 | 36,981 | 115,712 | 145,462 |

(ii) OPERATING LEASE RECEIVABLES

Future minimum lease receipts under non-cancellable operating leases for rentals of property, contracted for at balance date, but not recognised as assets:

Not longer than 1 year

Longer than 1 year but no longer than 5 years

Longer than 5 years

| Consolidated | | Council | |
|---------------|---------------|---------------|---------------|
| 2011 | 2010 | 2011 | 2010 |
| \$'000 | \$'000 | \$'000 | \$'000 |
| 4,256 | 4,308 | 4,256 | 4,308 |
| 4,996 | 5,494 | 4,996 | 5,494 |
| 29,288 | 29,120 | 29,288 | 29,120 |
| 38,540 | 38,922 | 38,540 | 38,922 |

(iii) CAPITAL COMMITMENTS

Expenditure contracted for at balance date but not recognised in the financial report as liabilities:

CAPITAL

Buildings

Plant and Equipment

Payable within 1 year

| Consolidated | | Council | |
|--------------|--------------|--------------|--------------|
| 2011 | 2010 | 2011 | 2010 |
| \$'000 | \$'000 | \$'000 | \$'000 |
| 4,509 | 937 | 4,509 | 937 |
| 2,476 | 899 | 2,476 | 899 |
| 6,985 | 1,836 | 6,985 | 1,836 |

Buildings

Plant and Equipment

Longer than 1 year but no longer than 5 years

| | | | |
|---------------|--------------|---------------|--------------|
| - | 428 | - | 428 |
| 3,457 | 35 | 3,457 | 35 |
| 3,457 | 463 | 3,457 | 463 |
| 10,442 | 2,299 | 10,442 | 2,299 |

* Service commitments are for a maximum period of 5 Years.

Note 19. Contingent Assets and Liabilities

(a) Contingent Liabilities

Melbourne City Council and the State Government of Victoria have indemnified, in equal shares, Regent Management Company Pty Ltd against any liability, loss or expense incurred or suffered by the Company. Over the financial year, no calls on this indemnity were made.

Melbourne City Council, as a once-off arrangement, agrees to act as guarantor for Fencing Victoria's loan of \$234,000 for their capital contribution towards the State High Performance Centre, which will be completed as part of the Arden Street redevelopment. Over the financial year, no calls on this indemnity were made.

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 20. Superannuation

The City of Melbourne makes employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). Obligations for contributions are recognised as an expense in profit or loss when they are due. The Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently.

The Fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (9% 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 the Fund.

Defined Benefit Plan

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. As the Plan's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to reliably allocate benefit liabilities, assets and costs between employers. As provided under Paragraph 32 (b) of AASB 119, City of Melbourne does not use defined benefit accounting for these contributions.

City of Melbourne makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December 2008, City of Melbourne makes the following contributions:-

- 9.25% of members' salaries (same as previous year);
- the difference between resignation and retrenchment benefits paid to any retrenched employees, plus contribution tax (same as previous year);

The Fund surplus or deficit (ie the difference between fund assets and liabilities) is calculated differently for funding purposes (ie calculating required contributions) and for the calculation of accrued benefits as required in AAS 25 to provide the values needed for the AASB 119 disclosure in the council's financial statements. AAS 25 requires that the present value of the defined benefit liability be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue.

Following an actuarial review conducted by the Trustee in late 2010, as at 31 December 2008, a funding shortfall of \$71 million for the Fund was determined. A call to Employers for additional contributions was made for the financial year 30 June 2011. A further actuarial review will be undertaken as at 31 December 2011 by mid 2012. Based on the result of this review, a detailed funding plan will be developed and implemented to achieve the target of full funding by 31 December 2013. The City of Melbourne will be notified of any additional required contributions by late 2012.

Accounting Standard Disclosure

The Fund's liability for accrued benefits was determined by the Actuary at 31 December 2008 pursuant to the requirements of Australian Accounting Standard Board AAS25 follows:

| | 31-Dec-08 |
|--|------------------|
| | \$'000 |
| Net Market Value of Assets | 3,630,432 |
| Accrued Benefits | <u>3,616,422</u> |
| Difference between Assets and Accrued Benefits | <u>14,010</u> |
| Vested Benefits (Minimum sum which must be paid to members when they leave the fund) | <u>3,561,588</u> |

The financial assumptions used to calculate the Accrued Benefits for the defined benefit category of the Fund were:

| | |
|-----------------------|------------|
| Net Investment Return | 8.50% p.a. |
| Salary Inflation | 4.25% p.a. |
| Price Inflation | 2.75% p.a. |

| | 2011 | 2010 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Accumulation funds | | |
| Employer contributions to Local Authorities Superannuation Fund (Vision Super) | 1,403 | 1,376 |
| Employer contributions | <u>553</u> | <u>536</u> |
| | <u>1,956</u> | <u>1,912</u> |
| Employer contributions payable to Local Authorities Superannuation Fund (Vision Super) at reporting date. | 5 | 3 |
| Employer contributions payable | <u>-</u> | <u>-</u> |
| | <u>5</u> | <u>3</u> |

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 20 Superannuation (continued)

Melbourne City Council Superannuation Sub Plan (CMSSP) Members

A separate plan is operated for Melbourne City Council defined benefit members. The CMSSP was closed to new members on 23 December 1993.

The CMSSP is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to reliably allocate benefit liabilities, assets and costs between employers. As provided under Paragraph 32 (b) of AASB 119, Council does not use the defined benefit accounting for these contributions, but as the majority of the members of the fund are employees of the Melbourne City Council group, the surplus or deficit of the fund is recorded in accordance to AASB119 at the consolidated level for reporting purposes. Member profiles will be reviewed periodically to determine if and when reporting at the individual entity level became appropriate.

The Melbourne City Council makes employer contributions to the defined benefits category of the Fund at rates determined by the Fund's Trustee on advice of the actuary. On the basis of the results of the most recent update of the full actuarial investigation conducted by the Fund's actuary as at 31 December 2008, the Trustee has determined that the funding arrangements were adequate for the expected CMSSP liabilities and Melbourne City Council makes the following contributions:

- 8% of members' salaries (up until 30th November 2006), and 4% thereafter; and
- the difference between resignation and retrenchment benefits paid to its retrenched employees (same as previous year).

The actuarial investigation concluded that although the Net Market Value of Assets was in excess of Accrued Benefits at 31 December 2008, based on the assumptions adopted, there was a shortfall for when the funding of future benefits was also considered. A Liability of \$7.89m (\$11.16m 2009/10) has been recognised in the consolidated financial statements as the Council's share of the scheme's liabilities, being the difference between the present value of employees' accrued benefits and the net market value of the scheme's assets at balance date. The Actuary will undertake the next actuarial investigation commencing at 31 December 2011 to ascertain if additional contributions are required.

The CMSSP Fund's liability was determined in the 31 December 2008 actuarial investigation pursuant to the requirements of the Australian Accounting Standard AAS 25 as follows:

| | 31-Dec-2008 \$ Millions |
|--|----------------------------|
| Net Market Value of Assets | 60.4 |
| Accrued Benefits (per accounting standards) | 51.4 |
| Difference between Assets and Accrued Benefits | <u>9.0</u> |
| Vested Benefits | <u>58.7</u> |
| Vested benefits index | 114% |

The total amount of superannuation contributions paid by Melbourne City Council (inclusive of its wholly owned subsidiaries Citywide Service Solutions Pty Ltd, Queen Victoria Market Pty Ltd and Melbourne Wholesale Fish Market Pty Ltd) during the year was \$12,196,238 (2010: \$10,751,370).

Council has an ongoing obligation to share in the future experience of the Local Authorities Superannuation Fund Defined Benefits Plan and the Melbourne City Council Superannuation Sub-Plan. Favourable or unfavourable variations may arise should the experience of the Funds differ from the assumptions made by the Funds' actuary in estimating the Funds' accrued benefit liability.

CityWide Service Solutions Pty Ltd contributes in respect of its employees to the following sub-plans of the Local Authorities Superannuation Fund:

- The Melbourne City Council sub-plan,
- The Defined Benefits plan, and
- The Accumulation plan.

MELBOURNE CITY COUNCIL**Notes to the financial statements****For the year ended 30 June 2011****Note 21. Related party transactions**

(a) Names of persons holding the position of a Responsible Person at the Melbourne City Council during the financial year were:

Councillors

| | |
|-----------------|----------------|
| LM Robert Doyle | Cathy Oke |
| DLM Susan Riley | Brian Shanahan |
| Carl Jetter | Ken Ong |
| Kevin Louey | Peter Clarke |
| Jennifer Kanis | |

Chief Executive Officer

Kathy Alexander

(b) Remuneration of Responsible Persons in bands of \$ 20,000**Income Range**

| |
|-----------------------|
| \$0,000 - \$19,999 |
| \$20,000 - \$39,999 |
| \$40,000 - \$59,999 |
| \$80,000 - \$99,999 |
| \$100,000 - \$119,999 |
| \$160,000 - \$179,999 |
| \$360,000 - \$379,999 |
| \$380,000 - \$399,999 |

| 2011 | 2010 |
|-------------|-------------|
| No. | No. |
| - | - |
| - | - |
| 7 | 7 |
| - | - |
| 1 | 1 |
| 1 | 1 |
| - | 1 |
| 1 | - |
| 10 | 10 |

| 2011 | 2010 |
|---------------|---------------|
| \$'000 | \$'000 |
| 1,016 | 988 |

Total Remuneration for the financial year for Responsible Persons included above, amounted to:

(c) Senior Officers' Remuneration

The number of Senior Officers, other than the Responsible Persons, whose total remuneration exceeded \$124,000 during the financial year, are shown below in their relevant income bands:

Income Range

| |
|-----------------------|
| \$124,000 - \$139,999 |
| \$140,000 - \$159,999 |
| \$160,000 - \$179,999 |
| \$180,000 - \$199,999 |
| \$200,000 - \$219,999 |
| \$220,000 - \$239,999 |
| \$240,000 - \$259,999 |
| \$260,000 - \$279,999 |
| \$280,000 - \$299,999 |
| \$300,000 - \$319,999 |
| \$320,000 - \$339,999 |
| \$340,000 - \$359,999 |

| 2011 | 2010 |
|---------------|---------------|
| \$'000 | \$'000 |
| 24 | 14 |
| 18 | 12 |
| 10 | 15 |
| 4 | 6 |
| 4 | 3 |
| - | 2 |
| 2 | - |
| 1 | 2 |
| 1 | 2 |
| 2 | 2 |
| 1 | - |
| - | 1 |
| 67 | 59 |

| 2011 | 2010 |
|---------------|---------------|
| \$'000 | \$'000 |
| 11,050 | 10,514 |

Total Remuneration for the financial year for Senior Officers included above, amounted to:

The recognition criteria for a senior officer was amended to reflect remuneration in excess of \$124,000 in Local Government (General) Amendment Regulations 2010. The statutory accounts have been adjusted accordingly for 2011 and restated for 2010 for comparative purpose

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 21. Related party transactions (continued)

- (d) No retirement benefits were paid by the Council in connection with the retirement of Responsible Persons during the financial year or in the previous financial year.
- (e) **Other Transactions**
Other related party transactions requiring disclosure this financial year have been considered and there are no matters to report. There were no matters to report in the previous financial year.
- (f) **Wholly-Owned Group**
Melbourne City Council is the ultimate parent entity in the wholly-owned group. Transactions with the controlled entities, CityWide Service Solutions Pty Ltd, Queen Victoria Market Pty Ltd, Melbourne Wholesale Fish Market Pty Ltd and Sustainable Melbourne Fund Trust during the year comprised of the following: provision of accounting and administration services, property rental, contract sales, purchases of raw materials and plant and equipment and in accordance with the Tax Equivalence Policy, the receipt of payments which included tax equivalents for income tax, and payroll tax where applicable. These transactions were made on normal commercial terms and conditions and at market rates.

(g) Other related party transactions

| | Council | |
|--|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| Other related party transactions | | |
| Debtor - CityWide Service Solutions Pty Ltd | 3,140 | 2,765 |
| Debtor - Queen Victoria Market Pty Ltd | 1 | 3 |
| | <u>3,141</u> | <u>2,768</u> |
| Creditor - CityWide Service Solutions Pty Ltd | 11,329 | 7,057 |
| Creditor - Queen Victoria Market Pty Ltd | 121 | 90 |
| | <u>11,450</u> | <u>7,147</u> |
| Intercompany Revenue | | |
| Dividends | 4,168 | 4,538 |
| Interest on loan to CityWide Service Solutions Pty Ltd | | 1 |
| Other | 11,643 | 8,889 |
| Total Intercompany Revenue | <u>15,811</u> | <u>13,428</u> |
| Intercompany Expenditure | | |
| CityWide Service Solutions Pty Ltd | 62,266 | 52,720 |
| Total Intercompany Expenditure | <u>62,266</u> | <u>52,720</u> |

Note 22. Financial Instruments

Accounting Policy, terms and conditions

| Financial Instruments | Note | Accounting Policy | Terms and Conditions |
|--|------|--|---|
| Financial Assets | | | |
| Cash and cash equivalents | 17 | Cash on hand, cash at bank and money market call account are valued at face value. | COUNCIL: On call deposits returned a floating interest rate of 4.35% (4.36% in 2009/2010). |
| Bank Bills, Negotiable and Transferrable Certificates of Deposits and Fixed Interest | 17 | Interest is recognised as it accrues. Investments and bills are valued at cost. Investments are held to maximise interest returns of surplus cash. Fixed interest securities are valued at fair value. | COUNCIL: Transferrable Certificates of deposit provided return of 6.38% (7.22% in 2009/2010) excluding unrealised gains/losses |
| Sundry Debtors (including Docklands and Kensington/North Melbourne) | 5 | Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection in full is no longer probable. Collectability of overdue accounts is assessed on an ongoing basis. Docklands debtors and Kensington/North Melbourne debtors have been recognised at carrying value, as recorded at the time of transition per the financial records of the responsible entity. | General debtors are unsecured. Credit terms are based on 30 days from date of invoice. |
| Investments | 7 | Investments for the Council include all wholly owned subsidiaries, wholly controlled trust of the Council and associated entities. Investments the consolidated entity includes interests in other entities and associated entities. | Investments in other entities are valued at historical cost. |
| Financial Liabilities | | | |
| Trade and other payables | 12 | Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date whether or not invoices have been received. | General Creditors are unsecured, not subject to interest charges and are normally settled within 30 days from date of invoice. |
| Borrowings | | Borrowings are carried at their principal amounts, which represent the present value of future cash flows associated with the servicing of debt. Interest is recognised as an expense as it is incurred. | CITYWIDE: The bank overdraft and Bill Acceptance and Discount Facilities are unsecured facilities. The bank facilities may be drawn at any time and may be terminated by the bank subject to default under the loan agreement. Subject to the continuance of satisfactory covenant achievement, the bank facilities may be drawn at any time. The facilities expire on the 30 September 2013. The weighted average interest rate was 4.96% in 2011 (3.83% in 2010) COUNCIL: The Melbourne City Council has no borrowings. No defaults or breaches of any loan/debt facility arrangements involving Council or its consolidated group occurred during the financial year ended 30 June 2011. |

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 22. Financial Instruments (continued)

(a) Interest rate risk

(i) The **consolidated** entity's exposure to interest rate risk, repricing maturities and effective weighted average interest rates on financial instruments at balance date is set out below:

| | Weighted Average Interest rate % | | Floating Interest rate | | Fixed Interest Rate Maturities 1 year or less | | Non interest bearing | | Total | |
|---|---|-----------|---------------------------|-----------------|---|-----------------|-------------------------|-----------------|-----------------|-----------------|
| | 2011 % | 2010 % | 2011 \$ '000 | 2010 \$ '000 | 2011 \$ '000 | 2010 \$ '000 | 2011 \$ '000 | 2010 \$ '000 | 2011 \$ '000 | 2010 \$ '000 |
| Financial Assets | | | | | | | | | | |
| Cash | 4.29% | 4.31% | 4,225 | 7,217 | - | - | 78 | 78 | 4,303 | 7,295 |
| Short term deposits | 6.09% | 6.01% | - | - | 164,671 | 100,568 | - | - | 160,671 | 100,568 |
| Bank Bills & NCD's | 6.38% | 7.22% | 4,000 | 21,663 | - | - | - | - | 4,000 | 21,663 |
| Sundry debtors | - | - | - | - | - | - | 35,009 | 18,611 | 35,009 | 18,611 |
| Investment in unlisted entities | - | - | - | - | - | - | 3,026 | 3,042 | 3,026 | 3,042 |
| Total Financial Assets | | | 8,225 | 28,880 | 164,671 | 100,568 | 38,113 | 21,731 | 207,009 | 151,179 |
| Financial Liabilities | | | | | | | | | | |
| Trade creditors | - | - | - | - | - | - | 23,142 | 9,318 | 23,142 | 9,318 |
| Deposits & retentions | - | - | - | - | - | - | 3,765 | 3,688 | 3,765 | 3,688 |
| Borrowings | 4.96% | 3.83% | 7,000 | 1,000 | - | - | - | - | 7,000 | 1,000 |
| Total Financial Liabilities | | | 7,000 | 1,000 | - | - | 26,907 | 13,006 | 33,907 | 14,006 |
| Net financial assets/(liabilities) | | | 1,225 | 27,880 | 164,671 | 100,568 | 11,206 | 8,725 | 173,102 | 137,173 |

Comparative figures in non-interest bearing Sundry Debtors have been adjusted to exclude Rates, Parking Infringements and GST receivable debtors to be consistent with the current year.

MELBOURNE CITY COUNCIL**Notes to the financial statements****For the year ended 30 June 2011****Note 22. Financial Instruments (continued)**

(ii) The Council's exposure to interest rate risk, repricing maturities and effective weighted average interest rates on financial instruments at balance date is set out below:

| | Weighted Average Interest rate % | | Floating Interest rate | | Fixed Interest Rate Maturities 1 year or less | | Non interest bearing | | Total | |
|---|---|-----------|---------------------------|-----------------|---|-----------------|-------------------------|-----------------|-----------------|-----------------|
| | 2011 % | 2010 % | 2011 \$ '000 | 2010 \$ '000 | 2011 \$ '000 | 2010 \$ '000 | 2011 \$ '000 | 2010 \$ '000 | 2011 \$ '000 | 2010 \$ '000 |
| Financial Assets | | | | | | | | | | |
| Cash | 4.35% | 4.36% | (107) | 3,315 | - | - | 46 | 48 | (61) | 3,363 |
| Short term deposits | 6.12% | 6.01% | - | - | 151,647 | 92,538 | - | - | 147,647 | 92,538 |
| Bank Bills & NCD's | 6.38% | 7.22% | 4,000 | 21,663 | - | - | - | - | 4,000 | 21,663 |
| Sundry debtors | | | - | - | - | - | 5,948 | 1,808 | 5,948 | 1,808 |
| Investment in unlisted entities | | | - | - | - | - | 32,961 | 32,921 | 32,961 | 32,921 |
| Total Financial Assets | | | 3,893 | 24,978 | 151,647 | 92,538 | 38,955 | 34,777 | 190,495 | 152,293 |
| Financial Liabilities | | | | | | | | | | |
| Bank Overdraft | | | | | | | | | | |
| Trade creditors | | | - | - | - | - | 15,685 | 2,417 | 15,685 | 2,417 |
| Deposits & retentions | | | - | - | - | - | 1,833 | 1,969 | 1,833 | 1,969 |
| Total Financial Liabilities | | | - | - | - | - | 17,518 | 4,386 | 17,518 | 4,386 |
| Net financial assets/(liabilities) | | | 3,893 | 24,978 | 151,647 | 92,538 | 21,437 | 30,391 | 172,977 | 147,907 |

Comparative figures in non-interest bearing Sundry Debtors have been adjusted to exclude Rates, Parking Infringements and GST receivable debtors to be consistent with the current year.

MELBOURNE CITY COUNCIL**Notes to the financial statements****For the year ended 30 June 2011****Note 22. Financial Instruments (continued)****(b) Reconciliation of net financial assets to net assets**

| | Consolidated | | Note | Council | |
|---|------------------|------------------|------|------------------|------------------|
| | 2011 \$ '000 | 2010 \$ '000 | | 2011 \$ '000 | 2010 \$ '000 |
| Net financial assets as above | 173,102 | 137,173 | | 172,977 | 147,908 |
| Non financial assets and liabilities: | | | | | |
| Inventories | 407 | 478 | 6 | - | - |
| Intangible Assets | 24,491 | 14,256 | 10 | 6,777 | 4,404 |
| Other assets | 24,287 | 22,648 | | 26,423 | 25,055 |
| Rate debtors | 2,239 | 2,008 | | 2,239 | 2,008 |
| Property, Infrastructure, Plant & Equipment | 2,958,790 | 2,791,768 | 9 | 2,898,022 | 2,725,320 |
| Investment Properties | 97,434 | 96,896 | | 97,434 | 96,896 |
| Net Assets/(Liabilities) Defined Super Fund | (7,887) | (11,157) | | - | - |
| Accruals | (45,835) | (30,929) | 12 | (32,057) | (23,966) |
| Income in advance | (2,744) | (3,094) | 12 | (193) | (789) |
| Employee Entitlements | (37,489) | (33,515) | 13 | (25,384) | (23,342) |
| Provisions | (1,600) | (1,510) | 14 | (1,336) | (1,316) |
| Non Current Payables | (4,282) | (6,322) | 12a | (4,282) | (6,322) |
| Net assets per Balance Sheet | 3,180,913 | 2,978,700 | | 3,140,620 | 2,945,856 |

Note: Refer to note 5 page 18 for detail on Trade Debtors, Provisions and Bad Debts.

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 22. Financial Instruments (continued)

(c) Net fair values

The aggregate net fair value of financial assets and financial liabilities, both recognised and unrecognised at balance date are as follows:

| | Consolidated | | | | Council | | | |
|------------------------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|
| | Carrying Amount | Net Fair Value | Carrying Amount | Net Fair Value | Carrying Amount | Net Fair Value | Carrying Amount | Net Fair Value |
| | \$ 000's 2011 | \$ 000's 2011 | \$ 000's 2010 | \$ 000's 2010 | \$ 000's 2011 | \$ 000's 2011 | \$ 000's 2010 | \$ 000's 2010 |
| Financial Assets | | | | | | | | |
| Assets | | | | | | | | |
| Cash | 4 303 | 4 303 | 7 295 | 7 295 | (61) | (61) | 3 363 | 3 363 |
| Sundry Debtors | 35 009 | 35 009 | 18 611 | 18 611 | 5 948 | 5 948 | 1 809 | 1 809 |
| Short term deposits | 160 671 | 160 671 | 100,568 | 100,568 | 147 647 | 147 647 | 92,538 | 92,538 |
| Bank bills & NCD's | 4 000 | 4 000 | 21 663 | 21 663 | 4 000 | 4 000 | 21 663 | 21 663 |
| Investment in unlisted entities | 3 026 | 3 026 | 3 042 | 3 042 | 32 961 | 32 961 | 32 921 | 32 921 |
| Total financial assets | 207 009 | 207 009 | 151 179 | 151 179 | 190 495 | 190 495 | 152 294 | 152 294 |
| Financial Liabilities | | | | | | | | |
| Liabilities | | | | | | | | |
| Trade creditors | 23 142 | 23 142 | 9 318 | 9 318 | 15 685 | 15 685 | 2 417 | 2 417 |
| Deposits and retentions | 3 765 | 3 765 | 3 688 | 3 688 | 1 833 | 1 833 | 1 969 | 1 969 |
| Borrowings | 7 000 | 7 000 | 1 000 | 1 000 | - | - | - | - |
| Total financial liabilities | 33 907 | 33 907 | 14 006 | 14 006 | 17 518 | 17 518 | 4 386 | 4 386 |

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 22. Financial Instruments (continued)

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

- Cash, cash equivalents and short-term deposits - the carrying amount approximates fair value because of their short term to maturity.
- Trade debtors and creditors - the carrying amount approximates fair value.
- Bank Bills & Negotiable Certificates of Deposits - there are market prices quoted daily for securities issued by any of the major four banks.
- For any other securities, a reasonable estimate of the fair value has been determined by reference to the current market value of a quoted security, and adding a credit risk margin, which is determined by reference to historical data.
- Fixed interest investments are valued at market value.

(d) Credit Risk Exposures

The credit risk on financial assets of the economic entity which have been recognised in the Balance Sheet is generally the carrying amount, net of any provisions for doubtful debts.

(e) Risks and mitigation

The risks associated with our main financial instruments and our policies for minimising these risks are detailed below.

Market risk

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. The Council's exposures to market risk are primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk. Components of market risk to which we are exposed are discussed below.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that we use. Non derivative interest bearing assets are predominantly short term liquid assets. Our interest rate liability risk is limited to our subsidiary company's (CityWide) borrowings. Council has no direct borrowings.

Our subsidiary company CityWide has a borrowing and overdraft facility which has been arranged with a major Australian bank. Our subsidiary company manages the interest rate risk by:

- ensuring access to diverse sources of funding;
- an ongoing review of borrowing levels; and
- having a limit imposed on the maximum borrowing amount allowed by Council.

Investment of surplus funds is made with approved financial institutions under the Local Government Act 1989. We manage interest rate risk by adopting an investment policy that ensures:

- conformity with State and Federal regulations and standards,
- adequate safety,
- appropriate liquidity,
- diversification by credit rating, financial institution and investment product,
- monitoring of return on investment,
- benchmarking of returns and comparison with budget.

Maturity will be staggered to provide for interest rate variations and to minimise interest rate risk.

Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause us to make a financial loss. We have exposure to credit risk on all financial assets included in our balance sheet. To help manage this risk:

- Melbourne City Council have a policy for establishing credit limits for the entities we deal with;
- Melbourne City Council may require collateral where appropriate; and
- Melbourne City Council only invest surplus funds with financial institutions which have a recognised credit rating specified in our investment policy.

Trade and other receivables consist of a large number of customers, spread across the consumer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because the main debtor is the Victorian Government and other Councils. Apart from the Victorian Government and Councils we do not have any significant credit risk exposure to a single customer or groups of customers. Ongoing credit evaluation is performed on the financial condition of our customers and, where appropriate, an allowance for doubtful debts is raised. The aging of receivables has been disclosed in Note 5.

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 22. Financial Instruments (continued)

Melbourne City Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in note 19.

Liquidity risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements:

- Melbourne City Council will not have sufficient funds to settle a transaction on the date;
- Melbourne City Council will be forced to sell financial assets at a value which is less than what they are worth; or
- Melbourne City Council may be unable to settle or recover financial assets at all.

To help reduce these risks Melbourne City Council:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- Council has no direct borrowings

The Consolidated Entity's exposure to liquidity risk is deemed insignificant given our high levels of cash and cash equivalents and nil borrowings and our current assessment of risk.

The table below lists the contractual maturities for Financial Liabilities. These amounts represent undiscounted gross payments including both principal and interest amounts

| Consolidated | | | | | | | | |
|---------------------------------------|------|---------------|--------------|--------------|----------|----------|---------------|---------------|
| | 2011 | 6 mths | 6-12 | 1-2 | 2-5 | >5 | Contracted | |
| | | or less | months | years | years | years | Cash Flow | |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| | | | | | | | Amount | |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| Trade and other payables | | 72,986 | - | - | - | - | 72,986 | 72,986 |
| Trust funds and deposits | | 2,513 | 2,500 | 4,283 | - | - | 9,296 | 9,296 |
| Interest-bearing loans and borrowings | | - | 7,000 | - | - | - | 7,000 | 7,000 |
| Total financial liabilities | | 75,499 | 9,500 | 4,283 | - | - | 89,282 | 89,282 |

| Consolidated | | | | | | | | |
|---------------------------------------|------|---------------|--------------|--------------|--------------|----------|---------------|---------------|
| | 2010 | 6 mths | 6-12 | 1-2 | 2-5 | >5 | Contracted | |
| | | or less | months | years | years | years | Cash Flow | |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| | | | | | | | Amount | |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| Trade and other payables | | 45,529 | - | - | - | - | 45,529 | 45,529 |
| Trust funds and deposits | | 2,458 | 1,500 | 2,500 | 3,822 | - | 10,279 | 10,279 |
| Interest-bearing loans and borrowings | | - | 1,000 | - | - | - | 1,000 | 1,000 |
| Total financial liabilities | | 47,987 | 2,500 | 2,500 | 3,822 | - | 56,808 | 56,808 |

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 22. Financial Instruments (continued)

| Council | | | | | | | |
|---------------------------------------|------|---------------|--------------|--------------|----------|----------|---------------|
| | 2011 | 6 mths | 6-12 | 1-2 | 2-5 | >5 | Contracted |
| | | or less | months | years | years | years | Cash Flow |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| | | | | | | | Amount |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Trade and other payables | | 47,268 | - | - | - | - | 47,268 |
| Trust funds and deposits | | 1,058 | 2,500 | 4,283 | - | - | 7,841 |
| Interest-bearing loans and borrowings | | - | - | - | - | - | - |
| Total financial liabilities | | 48,326 | 2,500 | 4,283 | - | - | 55,109 |

| Council | | | | | | | |
|---------------------------------------|------|---------------|--------------|--------------|--------------|----------|---------------|
| | 2010 | 6 mths | 6-12 | 1-2 | 2-5 | >5 | Contracted |
| | | or less | months | years | years | years | Cash Flow |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| | | | | | | | Amount |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Trade and other payables | | 27,641 | - | - | - | - | 27,641 |
| Trust funds and deposits | | 1,273 | 1,500 | 2,500 | 3,821 | - | 9,094 |
| Interest-bearing loans and borrowings | | - | - | - | - | - | - |
| Total financial liabilities | | 28,914 | 1,500 | 2,500 | 3,821 | - | 36,735 |

(f) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Council believes the following movements are 'reasonably possible' over the next 12 months.

- A parallel shift of + 1% and -2% in market interest rates (AUD) from year-end rates.

The table below discloses the impact on net operating result and equity for each category of financial instruments held by the Council at year-end, if the above movements were to occur.

| | 2011 | Interest rate risk | | | |
|---------------------------------------|---------|--------------------|---------|-------------------|--------|
| | | -2 % | | +1% | |
| | | -200 basis points | | +100 basis points | |
| | 2011 | Profit | Equity | Profit | Equity |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Consolidated | | | | | |
| Financial Assets | | | | | |
| Cash and cash equivalents | 168,974 | (3,379) | (3,379) | 1,690 | 1,690 |
| Financial liabilities: | | | | | |
| Interest-bearing loans and borrowings | 7,000 | (140) | (140) | 70 | 70 |
| Council | | | | | |
| Financial Assets | | | | | |
| Cash and cash equivalents | 151,586 | (3,032) | (3,032) | 1,516 | 1,516 |

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 22. Financial Instruments (continued)
(g) Fair Value Hierarchy

The table below analyses financial instruments carried at fair value by valuation method.

The different levels have been defined as follows:

Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (ie prices) or indirectly (ie derived from prices)

Level 3 inputs for the asset or liability that are not based on observable market data

Consolidated

| 2011 | level 1 | level 2 | level 3 | total |
|--|---------|---------|---------|--------|
| Consolidated Available for sale financial assets | - | - | - | - |
| Council Available for sale financial assets | - | - | - | - |
| 2010 | level 1 | level 2 | level 3 | total |
| Consolidated Available for sale financial assets | 14,664 | - | - | 14,664 |
| Council Available for sale financial assets | 14,664 | - | - | 14,664 |

MELBOURNE CITY COUNCIL**Notes to the financial statements****For the year ended 30 June 2011****Note 23. Financial ratios**

| | Consolidated | | | | Council | | | |
|--|--------------|-------|-------|-------|-----------|------|------|------|
| | 2011 | | 2010 | 2009 | 2011 | | 2010 | 2009 |
| (a) Debt Servicing Ratio | | | | | | | | |
| <u>Debt servicing cost</u> | 640 | 0.13% | 0.09% | 0.15% | 0 | 0 | 0 | 0 |
| Total revenue | 508,466 | | | | 361,419 | | | |
| To identify the capacity of the Council to service its outstanding debt. Council's ability to meet it's Debt servicing cost is extremely strong. When rounded the ratio of revenue to debt is less than 1% | | | | | | | | |
| (b) Debt Commitment Ratio | | | | | | | | |
| <u>Debt servicing and redemption costs</u> | 7000 | 3.63% | 0.55% | 4.00% | 0 | 0 | 0 | 0 |
| Rate revenue | 192,804 | | | | 192,804 | | | |
| To identify Council's debt redemption strategy. Council's ability to meet it's Debt commitment is extremely strong. When rounded the ratio of rate revenue to debt is less than 4.0% | | | | | | | | |
| (c) Revenue Ratio | | | | | | | | |
| <u>Rate revenue</u> | 192,804 | 38% | 40% | 39% | 192,804 | 53% | 53% | 52% |
| Total revenue | 508,466 | | | | 361,419 | | | |
| To identify Council's dependence on rates. | | | | | | | | |
| (d) Debt Exposure Ratio | | | | | | | | |
| <u>Total indebtedness</u> | 133,744 | 4% | 3% | 4% | 80,770 | 3% | 2% | 3% |
| Total realisable assets | 3,314,657 | | | | 3,221,390 | | | |
| To identify Council's exposure to debt. | | | | | | | | |
| * per cent of realisable assets is required to cover debt in 2011. | | | | | | | | |
| (e) Working Capital Ratio | | | | | | | | |
| <u>Current assets</u> | 230,916 | 210% | 227% | 209% | 186,196 | 252% | 294% | 231% |
| Current liabilities | 109,921 | | | | 73,956 | | | |

To assess Council's ability to meet current commitments.

For every dollar of current liabilities, Council has \$2.52 of current assets as at 30 June 2011.

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 23. Financial ratios (continued)

Definitions

To assess Council's ability to meet current commitments.

For every dollar of current liabilities, Council has \$2.52 of current assets as at 30th June 2011.

| | |
|-------------------------|--|
| Current assets | Total current assets as shown in the Balance Sheet. |
| Current liabilities | Total current liabilities as shown in the Balance Sheet. |
| Debt redemption | Includes the principal component of repayments on loans and financial leases and capital items purchased on vendor terms. |
| Debt servicing costs | Includes interest and charges on loans, overdrafts and interest on payments for capital items purchased on vendor terms. |
| Rate revenue | Includes revenue from general rates, municipal charges, special rates, special charges, service rates and service charges. |
| Total indebtedness | Total liabilities, both current and non-current, as shown in the Balance Sheet. |
| Total realisable assets | Total current assets and total realisable non-current assets. |
| Total revenue | Total revenue as shown in the Income Statement. |

Note 24. Events occurring after balance date:

There are no events that have occurred after balance date that need to be reflected in the Financial Statements.

Note 25. Transfer of assets to external parties:

In the 2009/10 financial year the Victorian State Government transferred responsibility for Yarra Park from the Melbourne City Council to the Melbourne Cricket Ground Trust. This resulted in a once off write off of assets of approximately \$74.49 million in 2009/10.

Note 26. Business Combinations:

a) Subsidiaries acquired

| | Consideration transferred |
|--------------------------------------|--------------------------------------|
| | \$'000 |
| 2011 | |
| Sterling Group Services Pty Ltd | 12,065 |
| Principal activity - Open Space | |
| Date of acquisition - 1/01/2011 | |
| Proportion of shares acquired - 100% | |

Sterling Group Services was acquired so as to continue the expansion of CityWide Service Solutions Pty Ltd's Open Space activities.

2010

Nil.

MELBOURNE CITY COUNCIL
Notes to the financial statements
For the year ended 30 June 2011

Note 26. Business Combinations (continued)

(b) Consideration transferred

| | Sterling Group Services Pty Ltd |
|--|--|
| Cash | 11,065 |
| Contingent consideration arrangement (i) | 1,000 |
| Total | 12,065 |

(i) Under the contingent consideration arrangement, CityWide Service Solutions Pty Ltd is required to pay the vendors up to \$1.0m for the year ending 31 December, 2011. The directors consider it probable that the payment will be made. The amount has been accrued as at the acquisition date.

Acquisition related costs of \$350,000 have been excluded from the consideration transferred and have been recognised as an expense in the year in the statement of comprehensive income.

(c) Assets acquired and liabilities assumed at the date of acquisition

| | |
|--------------------------------|-------|
| Current assets | |
| Cash & cash equivalents | 2,014 |
| Trade and other receivables | 3,196 |
| Inventories | |
| Non-current assets | |
| Plant and Equipment | 481 |
| Current liabilities | |
| Trade and other payables | 961 |
| Provisions | 527 |
| Non-current liabilities | |
| Unsecured Loans | 0 |

The receivables acquired (which principally comprised of trade receivables) with a fair value of \$1,518,000 had a gross contractual value of \$1,518,000. The best estimate at acquisition date, was that all of the contracted cash flows would be collected.

(d) Goodwill arising on acquisition

| | |
|--|--------------|
| Consideration transferred | 12,065 |
| Less: fair value of identifiable net assets acquired | (4,203) |
| Goodwill arising on acquisition | 7,862 |

Goodwill arose in the acquisition of Sterling Group Services Pty Ltd as it includes amounts in relation to revenue growth, future market development and expected synergies with the CityWide Service Solutions Pty Ltd. These benefits are not separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

MELBOURNE CITY COUNCIL

**Statement by Councillors, Chief Executive and Principal Accounting Officer on the Financial Report
For the year ended 30 June 2011**

In my opinion the accompanying financial report and standard statements have been prepared in accordance with the Local Government Act 1989, the Local Government (Finance and Reporting) Regulations 2004, Australian Accounting Standards and other mandatory professional reporting requirements.



Phu Nguyen (CPA)
Principal Accounting Officer

In our opinion the accompanying financial report presents fairly the financial transactions of the Melbourne City Council Group and the Melbourne City Council for the year ended 30 June 2011 and the financial position of the Melbourne City Council Group and Melbourne City Council as at that date.

As at the date of signing, we are not aware of any circumstance, which would render any particulars in the financial report to be misleading or inaccurate.

We were authorised by the Council on 30 August 2011 to certify the financial report in its final form.



Robert Doyle
Lord Mayor



Brian Shanahan
Councillor



Mark Stoermer
Acting Chief Executive Officer

Melbourne

Date: 30/08/11

INDEPENDENT AUDITOR'S REPORT

To the Councillors, Melbourne City Council

The Financial Report and Standard Statements

The accompanying financial report for the year ended 30 June 2011 of the Melbourne City Council which comprises of the comprehensive income statement, balance sheet, statement of cash flows, statement of changes in equity, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the statement by councillors, chief executive officer and principal accounting officer has been audited.

The accompanying standard statements for the year ended 30 June 2011 of the Council which comprises the standard statement of income, standard statement of balance sheet, standard statement of cash flows (reconciliation), standard statement of cashflow, standard statement of capital works the related notes and the statement by councillors, chief executive officer and principal accounting officer has been audited.

The Councillor's Responsibility for the Financial Report and Standard Statements

The Councillors of the Melbourne City Council are responsible for the preparation and the fair presentation of:

- the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Local Government Act 1989*
- the standard statements in accordance with the basis of preparation as described in note 1 of the statements and the requirements of the *Local Government Act 1989*.

This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report and standard statements that are free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

Independent Auditor's Report (continued)

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

Independence

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

Auditor's Opinion

In my opinion:

- (a) the financial report presents fairly, in all material respects, the financial position of the Melbourne City Council as at 30 June 2011 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Local Government Act 1989*.
- (b) the standard statements present fairly, in all material respects, in accordance with the basis of preparation as described in note 1 to the statements and comply with the requirements of the *Local Government Act 1989*.

Basis of Accounting for Standard Statements

Without modifying my opinion, I draw attention to note 1 to the standard statements, which describes the basis of accounting. The standard statements are prepared to meet the requirements of the *Local Government Act 1989*. As a result, the standard statements may not be suitable for another purpose.

Matters Relating to the Electronic Publication of the Audited Financial Report and Standard Statements

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

MELBOURNE
14 September 2011



F D R Pearson
Auditor-General