



# MARKET CITY

The centre of freshness.



# 2019 annual report

year ended 30 June 2019



[www.perthmarkets.com.au](http://www.perthmarkets.com.au)

**PERTH**  
MARKETS  
LIMITED



**2019 annual  
report**

# Index

Index	03
Overview	06
Key Financial Highlights	08
Message from the Chairman & CEO	10
Industry Support	16
Directors' Report	20
Information on Directors'	24
Auditors Independence Declaration	29
Consolidated Financial Statements	30
Notes to the Consolidated Statements	36
Director's Declaration	69
Independent Auditor's Report	70
Board Structure	72
Management Structure	73
Corporate Directory	74



# Introduction

## Vision

**Delivering  
shareholder value  
through serving  
the fresh produce  
industry.**

## Background

Perth Markets Limited is an industry based facility owner, manager and developer.

The Market City Site, owned by Perth Markets Limited, is a diverse cluster of businesses involved in wholesale trading, food retailing, business service providers and weekend consumer markets.

The site, as a whole, not only plays a critical role in fresh produce supply and makes a significant contribution to the State's economy but it impacts on local communities and families.

The Market City site is situated on 51 hectares of land in Canning Vale, 16km south of the CBD of Perth, WA and is the only Wholesale Fresh Produce Market in WA. The site was acquired by Perth Markets Limited (PML) with ownership assumed on 31 March 2016, from the Western Australian Government under its asset sales program.

PML is focused on providing a marketing and distribution hub for fresh produce and other products.





**2019 annual  
report**





# An overview of Financial Year 2018/2019

TOTAL LETTABLE BUILDING AREA  
**84,503.9m<sup>2</sup>**

OCCUPANCY  
**98.51%**

LEASES & LICENSES  
**174**

REGISTERED GROWERS  
**546**

EMPLOYEES ON SITE  
**1703**

REGISTERED BUYER GROUPS  
**670**

PRIMARY WHOLESALERS  
LOCATED IN THE CTA  
**26**

REGISTERED TRANSPORT  
OPERATORS  
**701**



FRESH PRODUCE TRADED BY TONS  
OVER THE YEAR TO JUNE 30, 2019

**220,871 tonnes**

TOTAL ASSETS

**\$186,091,000**

NET ASSETS

**\$93,289,000**

NET OPERATING PROFIT

**\$8,871,000**



WATER CONSUMED

**62,142kL**

ELECTRICITY CONSUMED

**24,505MWh**

## Weekend Markets

SATURDAY

CARS ATTENDING AVERAGE

**1,154**

SUNDAY

PEOPLE ATTENDING AVERAGE

**5,130**

SUNDAY

STALLS BOOKED AVERAGE

**365**



# Key Financial Highlights

Ended 30 June '19

## Consolidated Operating Profit Highlights:

### REVENUE

**\$24.265M**

(+2.12% from prior year)

### OPERATING PROFIT

**\$8.871M**

(-.022% from prior year)

### PROFIT AFTER INCOME TAX

**\$11.512M**

### GAIN ON REVALUATION OF INVESTMENT PROPERTY

**\$5.949M**

## Borrowing Facilities

In June 2019 the PML group negotiated changed banking arrangements and in July 2019 entered into a \$75M three year revolving cash advance facility with the Commonwealth Bank of Australia which remains fully drawn. The PML group also entered into an undrawn revolving \$2M overdraft facility with the Commonwealth Bank of Australia at the same time.

**Note:** PML is required to pay an additional \$10M (undiscounted) in approximately seven years to the previous owner of the Market City site. There is provision for this liability in the accounts at present day value.

## Investment Property Valuation

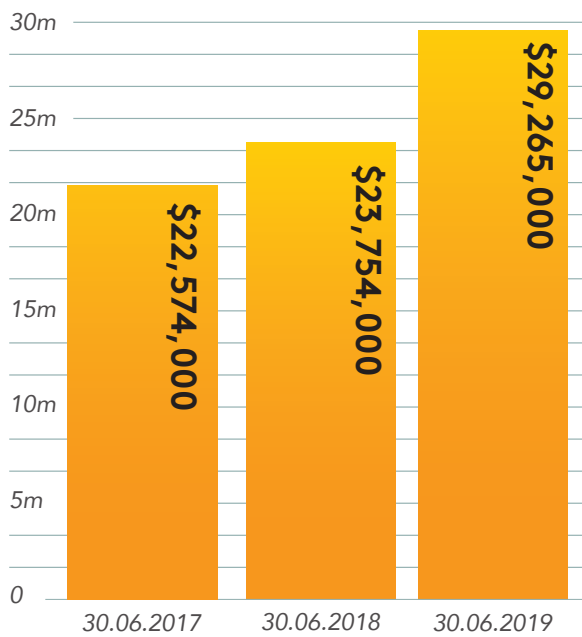
The group holds investment property at fair value. The property portfolio was revalued at 31 December 2018 with land and buildings valued at \$169M (June 2017: \$163M). This resulted in a gain to the Statement of Profit or Loss and Other Comprehensive Income for the year of \$6M.

## Distributions

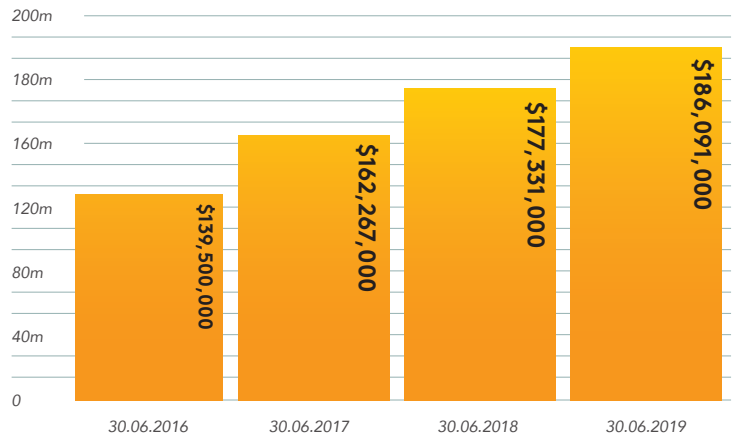
- There have been two distributions paid from the Perth Markets Land Trust to stapled security holders during the period ended 30 June 2019.
- A distribution of \$0.034 per security, being \$2,000, was paid in September 2018.
- A distribution of \$0.030 per security, being \$1,765, was paid in March 2019.
- No company dividends were paid by PML during the period ended 30 June 2019.
- This gives a total distribution of \$3,765,768 paid to 30 June 2019.



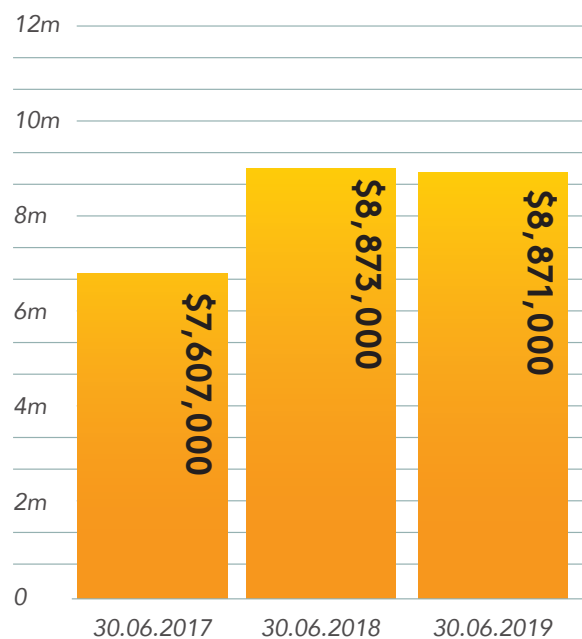
## Revenue



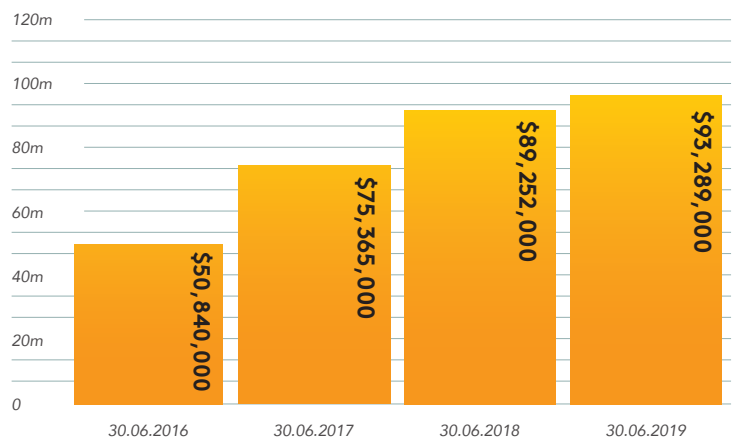
## Total Assets



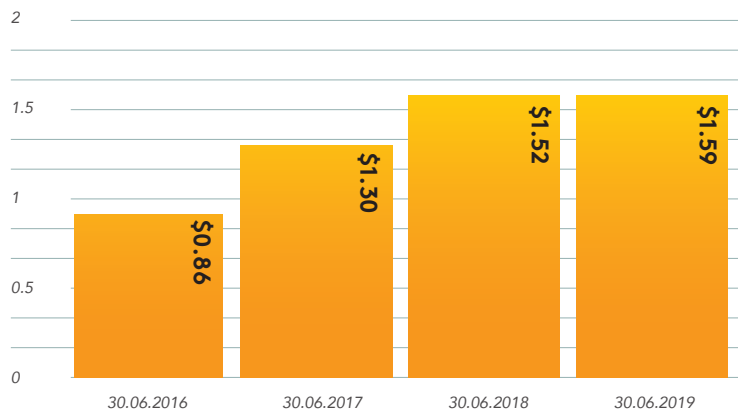
## Operating Profit



## Net Tangible Assets



## NTA Per Stapled Security





# A message from the Chairman & CEO

We are pleased to present the 2018/2019 Perth Markets Limited (PML) Annual Report.

This report covers our third full year of operations following the industry based and supported bid to secure the Market City site and operations upon its privatisation from the WA Government in March 2016.

Financial and performance highlights for the year are addressed below including the uplift in site valuation over 2017/2018 which supported a distribution to stapled security holders of \$3,765,768 paid in the year to 30 June 2019 (\$3,648,088 paid prior year).

Post 30 June 2019, the PML Board also recommended the payment of a further distribution to stapled security holders registered as at 30 June 2019 of \$1,941,724 (3.3 cents per stapled security) with payments anticipated by 30 September 2019.

The Board and management team remain focused on PML's strategic outlook, risk management, corporate performance, shareholder value delivery, stakeholder interests and assured governance systems and processes.



Steven Cole  
Chairman



Rebecca Moore  
CEO

## Financials

The 2018/2019 Financial Year result confirms the positive operating results for the third full financial year following purchase of the Market City site and business.

The consolidated operating profit after finance expense and income tax of the group for the 2018/2019 financial year was \$11.512M. This includes a gain on revaluation of investment properties of \$5.949M following revaluation of the property portfolio as at 31 December 2018 with land and buildings valued at \$169M (June 2018: \$163M).

## Strategic Corporate Activity of the Group

In 2018 PML took a strategic share placement of 937,500 shares in Brisbane Markets Limited (BML) to assist BML in funding its development growth. This investment in BML is based on our belief in the strategic opportunities arising in the fresh produce markets industry at a national level. In April 2019 PML paid the second and final instalment of \$1.5M bringing the total investment to \$3M.

In 2018/2019 PML commenced the process to move the existing complex stapled security/trust structure to a simplified and more efficient corporate structure. The proposed corporate restructure should reduce the administrative and operational expenses and complexities currently impacting the Perth Markets Group. The proposed restructure is expected to be completed by 1 October 2019 with security holder meetings scheduled for 19 September 2019 for approval purposes.

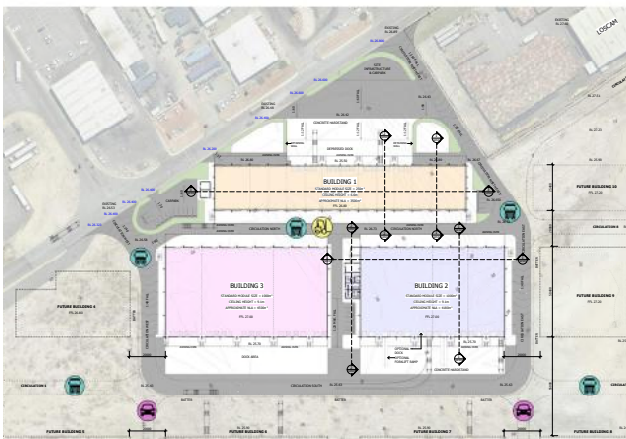




## Master Plan for the SE Development Triangle Vacant Land

The master plan for the SE Development Triangle has been completed and the Development Application for Stage 1(a) and 1(b) comprising 3 buildings totalling approx. 12,000m<sup>2</sup> plus infrastructure has been approved. The prospective tenant expression of interest has been strong and it is expected that construction of the first warehouse building will go out to tender by October 2019.

Work to identify the need for a potential second building within the SE development area is also in progress and discussions are being held with prospective tenants.



## Site Operations Work Health and Safety

PML treats matters of safety with the utmost importance and dedicates significant time and resources into adopting and upholding safe work practices, as well as educating stakeholders. Site rules are in place to assist all site users and warnings issued where applicable. Our focus remains on education of site users to ensure safe practices and cooperation with Work Safe, tenants and site users.

## Site Improvement Projects in varying stages of development

- LED Lighting implemented with the CTA thoroughfares and buyer bays.
- Ongoing upgrades to CCTV to improve security onsite.
- Site Infrastructure repairs including ongoing road maintenance.

## Fresh Produce Industry Support

- National Retailer Support Programme – a better choice to replace the Great Green Grocer campaign, both of which are industry based strategies to support independent fruit and vegetable retailers in WA.
- Fresh Logic Research – Continuation of reports on the WA Horticulture value chain size that supports the continued key role of the Market City Tenants in the sale of produce.
- Support of the Market City Ball and the Fresh Produce Retailer of the Year awards – Record 589 attendees to this gala event.
- Foodbank WA - School Breakfast Program and the donation of an onsite warehouse.
- Continuation of our strong relationship with Market West, the representative group for the wholesale and other tenants.

## People Changes

Over 2018/2019 PML announced the retirement of the CEO Stephen Ward and the recruitment of Rebecca Moore as the incoming CEO in July 2019. It also welcomed to PML a number of new executive team members including Todd Wood as CPO, Paul Oxley as Facilities Manager, Matt Hobson as Operations Manager and Michelle Davey in HR.

We are excited about the future development of PML and the team going forward under the new leadership.



## Summary

In closing, we thank the whole PML team, and those with whom PML does business, especially its valued industry stakeholder tenant and customer base, for their continuing support and their combined efforts to pull together to make Market City a special place to come and do business.

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Steven Cole  
Chairman

**PERTH**  
MARKETS  
LIMITED

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Rebecca Moore  
CEO



**PERTH**  
MARKETS  
LIMITED



# MARKET CITY

The centre of freshness.







Fennel

Produced and Packaged by  
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**BROS.**

Fresh  
AUSTRALIA PT





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# Industry Support

## Retailer Support

Market West, with the support of Perth Markets, continued the Great GreenGrocer campaign. The key objectives for this campaign include elevating consumer knowledge of fresh produce and seasonality, providing independent retailers the opportunity to position their fresh produce against the national chains, establish a long-term communications platform and harnessing the power of independent greengrocers by uniting them with a single voice. Over the next year this programme is to be merged with a new national programme for retailers that is branded 'A better choice'.

## Price Reporting

In conjunction with Market West, Perth Markets has provided funding to enable the collection and publishing of Market Pricing Reports and Market Throughput Reports that are valuable to the industry and available to the industry on the Perth Markets and Market West websites.

## Weekly Market Report

Perth Markets has provided the Market City Weekly Update reports providing up to date information on new products, trends, supply and pricing to over 600 industry and interested parties.

## Host Industry Events and Site Tours

Perth Markets continues to support access to industry training services and professional service providers for product testing, inspection and certification. We have also continued to conduct tours of the wholesale markets for overseas delegations, industry participants and students to build relationships with industry groups.

## Horticulture Industry Value Chain Assessment

Perth Markets has again funded the research conducted by Freshlogic to confirm the annual size of the WA fresh fruit and vegetable supply-chain, key changes and trends along with the long term outlook.

One of the conclusions of this research is that traders at the Market City site transact 50% by volume and 61% by value of the total wholesale market for WA.







## Community Support - Foodbank

Perth Markets Limited partners with Foodbank WA, helping them provide produce to the charities who feed the hungry. Foodbank is by far the largest hunger relief organisation in Australia, and is also the largest provider of nutrition education and healthy eating programs in WA.

Foodbank has gratis facilities at Perth Markets, where they receive and distribute produce donated from tenants at the site. Donated produce is used to support Foodbank's various programs in WA and we thank the Market City tenants for their support of this life changing project.

### Programs the produce contributes to:

The Foodbank WA School Breakfast Program provides a nutritious breakfast to high-risk students and communities in Western Australia, and directly reaches over 18,000 children, serving over 61,400 breakfasts and 21,600 'emergency' meals per week across metropolitan, rural and remote Western Australia.

The Program provides food products to registered schools so they can serve free of charge breakfast food, and with the help of Perth Markets it has access to fresh produce, including fresh fruit and vegetables.



An evaluation of the initiative found that the program positively contributed to a number of factors, including:

- Physical health
- Student concentration
- Social skills
- Mental health
- Awareness of healthy eating behaviour
- Eating behaviours generally
- Food selection and preparation skills
- Academic outcomes

Food Sensations® is a program developed for adults, parents and schools. In schools, it is a practical nutrition education program which has been developed for Foodbank WA's school and community networks. Food Sensations® aims to improve knowledge, attitudes and skills around healthy eating and cooking – for healthier bodies, minds and futures.



# Directors' Report

Your directors present their report on the consolidated entity consisting of Perth Markets Limited and the entities it controlled at the end of, or during, the period ended 30 June 2019, referred to throughout this report as the 'Group'.

The controlled entities of Perth Markets Limited are the other members of the stapled Group, being Perth Markets Land Trust ('PMLT') and its controlled entities.

## Directors & Company Secretary

The following persons were directors or officers of Perth Markets Limited during the year and up to the date of this report:

Name	Role	Date Appointed	Date Resigned
Steven Cole	Independent Non-Executive Chairman	22 May 2017	-
Patricia Skinner	Non-Executive Director	7 October 2015	-
Eric Smith	Non-Executive Director	7 October 2015	7 August 2019
Andrew Young	Non-Executive Director	20 October 2015	-
David Schirripa	Non-Executive Director	26 February 2016	-
Miro Lendich	Non-Executive Director	26 February 2016	-
Frank Romano	Non-Executive Director	12 April 2016	-
Richard Thomas	Non-Executive Director	14 September 2018	-
Stephen Ward	Chief Executive Officer	1 January 2017	2 August 2019
Rebecca Moore	Chief Executive Officer	2 August 2019	-
Paul Campbell	Company Secretary	27 February 2017	-





## Principal Activities

On 31 March 2016 Perth Markets Limited (PML) acquired the business and assets of Market City, WA's primary trading centre for fruit and vegetables. Perth Markets stapled entity won a bid to purchase Market City from the WA State Government after being named the preferred bidder for the Canning Vale site in December 2015.

The acquisition was effected through the acquisition of 100% interest in Market City Operator Co Pty Ltd by PML and the Market City Asset Trust by Perth Markets Land Trust.

The Group generates income from its owned properties as well as income from services and activities provided to tenants at the Market City site.

There has been no change in principal activities during the year.

## Dividends and Distributions

No dividends were paid by PML during the year ended 30 June 2019. However distributions from PMLT to stapled security holders of \$3,765,768 were paid during the financial year. Refer also to 'Events since the End of the Financial Year' below and Note 19 of the Financial Statements.

## Review of Results of Operations

The consolidated operating profit after financial expenses and income tax of the Group for the year ended 30 June 2019 amounted to \$11.5M. This profit includes a gain on revaluation of investment property of \$6M referred to below. The Group holds investment property at fair value. The investment property portfolio was revalued based on an independent valuation at 31 December 2018 with land and buildings valued at \$169M (June 2018: \$163M) resulting in a gain to the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year of \$6M.

As at 30 June 2019 the Group's debt facilities were with NAB and due to expire in March 2020. This resulted in them being classified as current liabilities and adversely impacting on the Group's financial ratios. These facilities were refinanced with Commonwealth Bank of Australia on 17 July 2019 for 3 years on terms more advantageous to the Group than those being offered by NAB.

## Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Group during the financial year.

## Events Since the End of the Financial Year

- a) A discretionary Distribution of \$1,941,724, being 3.3 cents per stapled security, has been recommended by the Board of PML to the Trustee of the PMLT to be paid for the year ending 30 June 2019 and for payment to be made by 30 September 2019.
- b) The Group has progressed implementation of a scheme of arrangement whereby the organisation structure of the Group is to be materially simplified. This Corporate Restructure involves 'top-hatting' the two principal limbs of the current Perth Markets Group (i.e. PML and PMLT) within a newly incorporated public company and rationalising the various trust and corporate entities which sit within the Perth Markets Group.

First Court orders were received 23 August 2019. Security holder scheme meetings were held 19 September 2019 and approved the scheme. A second Court hearing is to be held 26 September 2019. Subject to all approvals, implementation is expected 1 October 2019.

Whilst the Corporate Restructure involves a restructure of the companies and trusts within the Perth Markets Group, it is important to note that the Corporate Restructure will have no material impact on the assets and operations of the Perth Markets Group as a whole. The details of this restructure were contained in a Court approved scheme booklet distributed to all security holders. The restructure has no impact on the Group's 30 June 2019 financial statements.

- c) On 17 July 2019 the Group refinanced its debt facilities (on terms more favourable to the Group than with its previous provider

of banking facilities) with Commonwealth Bank of Australia for 3 years. The impact of this refinancing is anticipated to result in the reclassification of the Group's term debt to 'non-current liability' from 'current liability' (as at 30 June 2019) – refer Note 14. The Group's existing interest rate hedges were novated to Commonwealth Bank of Australia at the same time.

- d) CEO Stephen Ward resigned on 2 August 2019 and was replaced by Rebecca Moore.
- e) On 7 August 2019 Eric Smith resigned as director of the Group.

## Likely Developments and Expected Results of Operations

The Group will continue to operate the Market City business and aims to derive incrementally improving financial returns relative to prior trading periods through organic growth and improved efficiencies of operations. It remains the strategic goal of the directors to develop the vacant land on the Market City site to its highest and best use through the construction of cold chain warehouses.

The plans for the first stage of this development are well advanced with memoranda of understanding now signed with prospective tenants for the first proposed building development of some 4,500 s/m, subject nevertheless to final building plans and costings anticipated to be finalised in Q4 2019 with a view to construction commencement thereafter and completion by Q4 2020.







# Information on Directors'

## Steven Cole

Independent Non-Executive Chair

### Experience & Expertise

- Over 40 years of legal, business and corporate experience as well as a range of executive management and non-executive appointments. His extensive boardroom and board sub-committee experience includes ASX listed, statutory, proprietary and NFP organisations covering the industrial, financial, educational, professional services, health, agribusiness, local government and resources sectors.
- Mr Cole is also Chair of Neometals Limited (ASX listed), Director of Matrix Composites & Engineering Limited (ASX listed), and Chair of the Queen Elizabeth II Medical Centre Trust (statutory authority).
- From a general industry perspective, Mr Cole was Vice President of the Chamber of Commerce & Industry (WA) and was previously WA State President and a national board member of the Australian Institute of Company Directors.
- Qualifications/Memberships : LLB(hons) and FAICD



## Patricia Skinner

### Experience & Expertise

- Over 30 years' experience in fresh produce wholesaling industry began with the Sumich Group in 1989 to current position with Australian Produce Brokers, a leading fruit and vegetable wholesaler operating in the central trading area at Perth Markets for the past 20 years.
- President of Market West formerly The Chamber of Fruit and Vegetable Industries in Western Australia since 2011.
- Member of the Market West Management Committee and Director of FPAA Credit Service Pty Ltd since 2002.
- Director of Fresh Markets Australia since 2001.
- Industry representative on numerous industry committees including reviews of the Perth Market Act and the Bylaws and two government reviews of the Mandatory Horticultural Code of Conduct.



## Eric Smith

### Experience & Expertise

- Former Vice President of Market West.
- Involved in the fruit and vegetable industry for more than 30 years.
- Resigned as Director 7 August 2019



## David Schirripa

### Experience & Expertise

- Chairman of the Board, South Australian Produce Markets Limited.
- Previously held interests in wholesale produce businesses in both SA and WA.
- Director of Schirripa Evans Lawyers, a private client and family business commercial law practice.
- Director of Schirripa Orchards Pty Ltd, an avocado orchard business.
- Holds degrees in Economics and Law from The University of Adelaide.
- Legal Practitioner and Notary Public.



## Frank Romano

### Experience & Expertise

- Independent Director and Chair of Master Planning Committee.
- 40 year history of establishing, owning and managing food franchise companies including Chicken Treat, Red Rooster and Oporto.
- Significant corporate transaction and expansion experience through multiple food franchise operations.
- Current owner of Olympic Fine Foods Pty Ltd, which specialises in snacks, nuts, cereal and confectionary, and Packaging Pty Ltd, a confectionary manufacture and packing business based out of Melbourne.
- Other investments include sandalwood plantations, vineyards, and various commercial, retail, and residential property/property development interests.
- Director of Perth Children's Hospital Foundation Ltd for over 10 years.



## Miro Lendich

### Experience & Expertise

- Current Chairman of United Crate, a grower-owned cooperative and the largest supplier of plastic crates and bins to Market City.
- Miro is also a grower based in the Swan Valley predominately growing table grapes, watermelons, honeydew melons and rock melons.





## Andrew Young

### Experience & Expertise



- Current Chief Executive Officer of Brisbane Markets Limited, the entity which owns Brisbane's wholesale fruit and vegetable market.
- Took on the role of Managing Director in January 2000, was appointed to Chief Executive Officer of BML on October 2002 and also retains the position of Chief Executive Officer of Brismark. Is a Director of Brisbane Markets Limited and an Executive Director of Fresh Markets Australia
- Extensive managerial experience with tertiary qualifications in agricultural science, accounting and corporate management.
- Detailed knowledge of the operations of the fresh produce industry and central markets and relevant experience in property development and the construction of warehouses.



## Richard Thomas

### Experience & Expertise



- Independent, non-executive finance director and chair of the Audit, Finance & Risk Committee, who holds similar roles at Brightwater Care Group.
- Brings audit, risk, regulatory and financial expertise and experience, having been a partner with Deloitte for over 12 years, including leading the Risk Advisory practice in Perth since its foundation in 2010.
- Has worked in a variety of roles – external auditor, corporate regulator, internal auditor, management consultant, forensic accountant, investigator and risk practitioner – serving many industries and organisations in the public and private sectors.
- Achieved a first-class history degree at University College London and qualified as a chartered accountant with the ICAEW in 1988, before migrating to Perth in 1990, moving to Melbourne in 1994 and returning to WA in 2001.



## Paul Campbell – Company Secretary

### Experience & Expertise



- Certified Practising Accountant with over 30 years experience as an accountant.
- Has over 20 years experience in the property industry.
- Holds a degree in Business from Curtin University.
- Has experience personally and as an employee with property development, and commercial property ownership.



## Meetings of Directors

The number of meetings of the Company's board of directors held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	No. of meetings	No. attended
S. Cole	11	11
P. Skinner	11	11
E. Smith	11	11
D. Schirripa	11	10
F. Romano	11	11
M. Lendich	11	11
A. Young	11	11
R. Thomas	11	10

## Meetings of Audit, Finance & Risk Committee (AF&RC)

The number of meetings of the committee held during the year ended 30 June 2019, and the number of meetings attended by each member were:

	No. of meetings	No. attended
R. Thomas	3	3
S. Cole	4	4
P. Skinner	4	4
A. Young	4	4

## Meetings of Nominations & Remuneration Committee

The number of meetings of the committee held during the year ended 30 June 2019, and the number of meetings attended by each member were:

	No. of meetings	No. attended
S. Cole	0	0
F. Romano	0	0
D.Schirripa	0	0

The new structure of the Nominations and Remuneration Committee was only committed to early in 2019 and, although no formal Committee meetings occurred prior to the end of the reporting period, a number of informal meetings did take place in furtherance of the Committee's functional remit.

## Meetings of Master Planning Committee

The number of meetings of the committee held during the year ended 30 June 2019, and the number of meetings attended by each member were:

	No. of meetings	No. attended
F. Romano	7	7
A. Young	7	7
M. Lendich	7	7
S. Cole	7	4
E. Smith	7	6

## Shares under Option

- (a) Unissued shares  
There are no unissued shares under option in Perth Markets Limited on issue at the date of this report.
- (b) Shares issued on the exercise of options  
There are no shares in Perth Market Limited issued on the exercise of options during the year ended 30 June 2019.

## Internal Audit

Given the scale and nature of the Group's business, the Group has determined that there does not currently exist a need for a dedicated internal audit function. This issue is revisited annually by the AF&RC.

## Environmental Regulation

The Group is subject to a number of environmental regulations as part of operating the Market City business, which the Group is committed to meeting. The Board is not aware of any significant or material breaches of environmental requirements during the period covered by this report.

## Insurance of Officers and Indemnities

During the financial year, the Group paid a premium under a contract ensuring all Directors and Officers against liabilities incurred in that capacity. Disclosure of the nature of the liabilities insured and the premium is subject to a confidentiality clause under the contract of insurance.

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the Group.

## Proceedings on Behalf of the Company

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

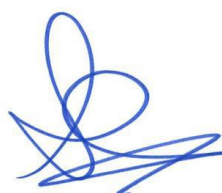
## Auditor's Independence Declaration.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 12.

## Rounding of Amounts

The Company is of a kind referred to in ASIC Legislative Instruments 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of directors.



**Chairman**  
Steven Cole  
24 September 2019



**Director**  
Patricia Skinner  
24 September 2019



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**DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF PERTH MARKETS LIMITED**

As lead auditor of Perth Markets Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Perth Markets Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Neil Smith'. The signature is stylized with a large, looped 'N' and a long, sweeping horizontal stroke extending to the right.

**Neil Smith**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 24 September 2019





# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

Continuing operations	Note	2019	2018
		\$'000	\$'000
Revenue	4a	23,827	23,356
Other income	4b	438	398
Total income		24,265	23,754

<b>Operating expenses</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
		\$'000	\$'000
Weekend markets expenses		(491)	(443)
Operational expenses	5	(5,301)	(5,267)
Commercial site management expenses	6	(9,176)	(8,789)
Depreciation and amortisation expense		(426)	(382)
<b>Operating profit</b>		<b>8,871</b>	<b>8,873</b>
Gain on revaluation of investment properties	11	5,949	12,966
Fair value gain on financial assets through profit or loss		281	-
Finance expenses		(2,856)	(2,857)
Acquisition related costs		(546)	(641)
<b>Profit before income tax</b>		<b>11,699</b>	<b>18,341</b>
Income tax expense	7	(187)	(150)
<b>Profit after income tax for the year</b>		<b>11,512</b>	<b>18,191</b>

**Other comprehensive income**

*Items not reclassified subsequently to profit or loss:*

Changes in the fair value of cash flow hedges	18b	(3,537)	(332)
<b>Total other comprehensive income</b>		<b>(3,537)</b>	<b>(332)</b>
<b>Total comprehensive income for the Year</b>		<b>7,975</b>	<b>17,859</b>

**Profit after income tax attributable to members**

Perth Markets Limited (PML) members		450	330
Perth Markets Land Trust (PMLT) members		11,062	17,861
		<b>11,512</b>	<b>18,191</b>

**Total comprehensive income attributable to members**

Perth Markets Limited (PML) members		450	330
Perth Markets Land Trust (PMLT) members		7,525	17,529
		<b>7,975</b>	<b>17,859</b>

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*



# Consolidated Statement of Financial Position

As at 30 June 2019

Assets	Note	2019	2018
<b>Current Assets</b>		\$'000	\$'000
Cash and cash equivalents	20a	5,925	5,499
Receivables	8	349	153
Other financial assets	9a	-	1,840
Other assets	9b	493	451
<b>Total current assets</b>		<b>6,767</b>	<b>7,943</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	5,166	4,746
Investment property	11	169,000	163,051
Deferred tax asset	7	180	97
Financial assets at fair value through profit or loss	9a	3,281	-
Other assets	9b	1,697	1,494
<b>Total non-current assets</b>		<b>179,324</b>	<b>169,388</b>
<b>Total assets</b>		<b>186,091</b>	<b>177,331</b>

**Liabilities**

**Current liabilities**

Borrowings	14	75,112	-
Payables	13	3,118	2,740
Employee benefit obligations	15	94	94
Other current liabilities	16	78	80
<b>Total current liabilities</b>		<b>78,402</b>	<b>2,914</b>

**Non-current liabilities**

Borrowings	14	131	74,925
Employee benefit obligations	15	34	36
Other non-current liabilities	16	14,235	10,204
<b>Total non-current liabilities</b>		<b>14,400</b>	<b>85,165</b>
<b>Total liabilities</b>		<b>92,802</b>	<b>88,079</b>
<b>Net assets</b>		<b>93,289</b>	<b>89,252</b>

**Equity**

Contributed equity	18a	54,718	54,718
Reserves	18b	(4,811)	(1,274)
Retained earnings	18b	43,382	35,808
<b>Total Equity</b>		<b>93,289</b>	<b>89,252</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.



# Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Note	Contributed equity	Cash Flow hedge reserve	Retained earnings	Total equity
<b>Consolidated</b>		\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2017</b>		<b>54,718</b>	<b>(942)</b>	<b>22,589</b>	<b>76,365</b>
Profit for the year		-	-	18,191	18,191
Other comprehensive income	18b	-	(332)	-	(332)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(332)</b>	<b>18,191</b>	<b>17,859</b>
Contributions of equity, net of transaction costs					
Distributions to unit holders		-	-	(4,972)	(4,972)
<b>Balance at 30 June 2018</b>		<b>54,718</b>	<b>(1,274)</b>	<b>35,808</b>	<b>89,252</b>
Profit for the year		-	-	11,512	11,512
Other comprehensive income	18b	-	(3,537)	-	(3,537)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(3,537)</b>	<b>11,512</b>	<b>7,975</b>
Distributions to unit holders				(3,938)	(3,938)
<b>Balance at 30 June 2019</b>		<b>54,718</b>	<b>(4,811)</b>	<b>43,382</b>	<b>93,289</b>
<b>Balance at 30 June 2019 attributable to:</b>					
PML members		3,344	-	911	4,255
PMLT members		51,374	(4,811)	42,471	89,034
		<b>54,718</b>	<b>(4,811)</b>	<b>43,382</b>	<b>93,289</b>

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

# Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 \$000	2018 \$000
<b>Cash flows from operating activities</b>			
<b>Receipts and Payments</b>			
Receipts from customers		23,923	23,695
Payments to suppliers and employees		(14,935)	(14,116)
		8,988	9,579
Interest income		132	92
Interest payments		(2,852)	(2,846)
Income tax		(216)	(192)
<b>Net cash flows from operating activities</b>	<b>20(b)</b>	<b>6,052</b>	<b>6,633</b>
<b>Cash flow from investing activities</b>			
Payment for plant and equipment		(844)	(76)
Payment for investment property		-	(74)
Dividends Received		76	-
Investment in Unlisted Securities		(3,000)	-
Receipt (Payment) for fixed term deposits		1,840	(1,840)
<b>Net cash flows used in investing activities</b>		<b>(1,928)</b>	<b>(1,990)</b>
<b>Cash flow from financing activities</b>			
Proceeds from borrowings		92	-
Repayment of borrowings		(25)	(12)
Distribution paid	19	(3,765)	(3,648)
<b>Net cash flow used in financing activities</b>		<b>(3,698)</b>	<b>(3,660)</b>
<b>Net increase in cash and cash equivalents</b>		<b>426</b>	<b>983</b>
Cash and cash equivalents at the beginning of the year		5,499	4,516
<b>Cash and cash equivalents at the end of the year</b>	<b>20(a)</b>	<b>5,925</b>	<b>5,499</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the Consolidated Financial Statements

## 1. Reporting entity

Perth Markets Limited ('the company', 'the parent' or 'PML') is a company incorporated in Australia and limited by shares.

These financial statements have been prepared as an aggregation of the financial statements of PML and its controlled entities and Perth Markets Land Trust ('PMLT') and its controlled entities. The combined entity (hereafter referred to as the Group) was formed through the stapling of securities in PML and PMLT, which cannot be traded separately. The financial statements have been aggregated in recognition of this stapling. Intercompany transactions, balance and unrealised gains on transactions between group entities are eliminated as part of this aggregation process. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. PML has been deemed to be the parent entity of the Group as its management are responsible for the Group's operations.

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Perth Markets Limited is a for-profit entity for the purpose of preparing the financial statements. Perth Markets Limited is the Group's Ultimate Parent Company. Perth Markets Limited is a public company incorporated and domiciled in Australia. The consolidated financial statements for the year ended on 30 June 2019 were approved and authorised for issue by the Board of Directors on 24 September 2019.

## 2. Judgments and estimates made by management in applying accounting policies

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgments and estimates will seldom equal the related actual results. The judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### *Estimates of fair value of investment properties*

Critical judgments are made by the consolidated entity in respect of the fair values of investment properties. The fair value of these investments are reviewed by management with reference to external independent property valuations and market conditions existing at the reporting date, using generally accepted market practices. The critical assumptions underlying management's estimates of fair values are those relating to gross and net market rents, average market rental growth and capitalisation and discount rates.

### *Estimates of fair value of interest rate derivatives*

The fair value of interest rate derivatives have been determined using a pricing model based on discounted cash flow analysis and incorporating assumptions supported by market data at reporting date, including market expectation of future interest rates and discount rates and taking into account estimates prepared by external counter-parties.



***Estimates of fair value of share investments classified as fair value through profit or loss (FVTPL)***

The fair value of share investments classified as FVTPL that are not traded in an active market is determined using other valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Share investments in Brisbane Markets Ltd have been valued using the observable price from the most recent transactions.

### **3. New accounting standards and interpretation**

**New and amended standards adopted by the Group**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2018:

- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers
- AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions
- AASB 2017-1 Amendments to Australian Accounting Standards - Transfers to Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

The Group had to change its accounting policies following the adoption of AASB 9 and AASB 15, as disclosed below.

Other than AASB 9 and AASB 15, the other amendments listed above did not have any impact on the amounts recognised in prior and current periods.

**AASB 15 Revenue from Contracts with Customer**

Refer to note 4a.

**A. AASB 9 Financial Instruments**

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standard replaces *AASB 139 Financial Instruments: Recognition and Measurement*.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

**i Classification and measurement of financial assets and financial liabilities**

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. AASB 9 largely retains the existing requirements in AASB 139 categories for the classification and measurement of financial liabilities. However, it eliminates the previous AASB 139 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments (for derivatives that are used as hedging instruments, see (ii) below). The impact of AASB 9 on the classification and measurement of financial assets is set out below:

**a. Investment and other financial assets****Classification**

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss, and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, it will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group holds equity investments (which are measured at fair value) and receivables (which are carried at amortised cost as they are held within a hold-to-collect business model).

**Measurement*****Initial measurement:***

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not a fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

***Subsequent measurement:******Equity instruments***

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains (losses) in the statement of profit or loss as applicable.

***Impairment – receivables***

From 1 July 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**ii, Hedge accounting**

The Group applied hedge accounting prospectively. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Group has continued to designate the change in fair value of the entire forward contract in the Group's cash flow hedge relationships and, as such, the adoption of the hedge accounting requirements of AASB 9 had no significant impact on the Group's financial statements.

**New accounting standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods. These standards and interpretations have not been early adopted.

- AASB 16 Leases (effective for annual reporting periods beginning on or after 1 January 2019). AASB 16 introduces a new framework for accounting for leases and will replace AASB 117 Leases. The new standard will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. Management is continuing to assess the impact of the new standard on PML's financial statements.

**4(a). Revenue**

	2019	2018
	\$'000	\$'000
Rental revenue	13,184	12,822
Provision of services revenue	9,591	9,428
Weekend markets revenue	1,052	1,106
<b>Total Revenue</b>	<b>23,827</b>	<b>23,356</b>

Revenue is recognised for the major business activities using the methods outlined below:

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 Revenue, AASB 111 Construction Contracts and related interpretations. AASB 15 does not apply to lease contracts within the scope of AASB 117 Leases and consequently does not apply to rental income and variable outgoings.

**Rental revenue**

The Group enters into contractual rental arrangements with tenants for its investment properties. These arrangements specify the duration of the lease, amount of the lease payable (usually on a monthly basis) and lease incentives (if any). Rental revenue from investment properties is recognised on a straight-line basis over the lease term based on contractual arrangements.

Revenue not received at the reporting date is reflected in the statement of financial position as a receivable or if paid in advance, as rent in advance (unearned income). Lease incentives granted are considered an integral part of the total rental revenue and are recognised as a reduction in rental income over the term of the lease, on a straight-line basis. Contingent rentals are recognised as income in the periods in which they are earned.

**Weekend markets revenue and Provision of services revenue**

Revenue for services is recognised over time as those services are provided. These services are mainly provision of electricity and waste transfer. Invoices for these services are issued on a monthly basis and are usually payable within 30 days. Revenue for weekend markets is recognised at the point in time when a fee is payable by the public to access the market during the weekend.

Under AASB 15, the total consideration in the service contracts is allocated to all services based on their relative stand-alone selling prices. The stand-alone selling price is determined based on the price at which the Group sells the services in separate transactions.

There is no material adjustment as a result of adoption of AASB 15. Accounting policies have been updated to conform to the requirements of AASB 15.



**4(b). Other income**

	2019	2018
	\$'000	\$'000
Interest revenue	132	92
Other revenue	306	306
<b>Total other income</b>	<b>438</b>	<b>398</b>

**Interest revenue**

Interest revenue is recognised as the interest is earned.

**Other revenue**

Other revenue is recognised when it is received or when the right to receive payment is established. Gain or loss on disposal of assets is calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds from disposal and is included in the profit or loss in the year of disposal. Where the gain or loss is obtained from sale of properties, it is recognised when the control has transferred to the buyer, which is normally when legal title passes to the buyer.

**5. Operational expenses**

	2019	2018
	\$'000	\$'000
Information technology and telecommunications	248	260
Professional fees	596	653
Salaries and board fees	1,560	1,509
Legal fees	520	260
Land tax	1,317	1,704
Other	1,060	881
<b>Total operational expenses</b>	<b>5,301</b>	<b>5,267</b>

## 6. Commercial site management expense

	2019	2018
	\$'000	\$'000
Rates and water consumption	2,069	1,696
Cleaning and waste removal	748	821
Electricity	3,212	3,247
Repairs and maintenance	735	628
Insurance	422	377
Staff costs	1,399	1,392
Other	591	628
<b>Total commercial site management expenses</b>	<b>9,176</b>	<b>8,789</b>

## 7. Income tax expense/(benefit)

	2019	2018
	\$'000	\$'000
<b>Current tax expense</b>		
Current tax expense/(benefit)	248	137
Deferred tax expense/(benefit)	(83)	(6)
Under/(over) provision	22	19
<b>Total income tax expense/(benefit)</b>	<b>187</b>	<b>150</b>
<b>Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit/(loss) before income tax expense/(benefit)	11,699	18,341
Income tax at the Australian tax rate of 27.5% (30%)	3,217	5,503
Unrecognised tax losses and other deferred tax assets		
Tax effect amounts which are not deductible/(taxable)	(3,052)	(5,355)
Timing differences not previously recognised	-	(17)
Under/(over) provision	22	19
<b>Total income tax expense/(benefit)</b>	<b>187</b>	<b>150</b>
<b>Deferred tax asset</b>		
Other	180	97
<b>Total deferred tax asset</b>	<b>180</b>	<b>97</b>

The Group has applied a 27.5% tax rate for 2018/19 as the Group has aggregated revenue threshold of less than \$50 million. The Group has received a private ruling from ATO to confirm that revenue from Brisbane Market Limited does not need to be aggregated in the Group's determination of revenue threshold in 2018/19.

## 8. Receivables

	2019	2018
	\$'000	\$'000
Receivables	349	153
<b>Total current receivables</b>	<b>349</b>	<b>153</b>

### *Classification and measurement of receivables*

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written off against the allowance account. The carrying amount is equivalent to fair value as it is due for settlement within 30 days and therefore all classified as current. Please refer to note 3B for impairment policy.

In most cases the Group holds collateral as security or other credit enhancements relating to receivables for lease rentals.

These normally include a bank guarantee or cash security deposit held on trust.

## 9a. Other financial assets

	2019	2018
	\$'000	\$'000
<b>Current</b>		
Short-term investment deposits <sup>(a)</sup>	-	1,840
<b>Total current</b>	<b>-</b>	<b>1,840</b>
<b>Non-current</b>		
Share investment, fair value through profit or loss <sup>(b)</sup>	3,281	-
	<b>3,281</b>	<b>-</b>

- a) Term deposits are presented as current other financial assets if they have a maturity of more than three months but less than a year.
- b) The Group has purchased 937,500 shares in Brisbane Markets Limited (BML) for \$3.20 per share (issue price). The shares were fully paid as at 30 June 2019. They have been assessed to have a fair value of \$3.50 based on latest share trading of BML



## 9b. Other assets

	2019 \$'000	2018 \$'000
<b>Current</b>		
Prepayment	449	441
Inventories	44	10
<b>Total current</b>	<b>493</b>	<b>451</b>
<b>Non-current</b>		
Receipts from customer security deposits	1,694	1,490
Software capitalisation	3	4
<b>Total non- current</b>	<b>1,697</b>	<b>1,494</b>

### Receipts from customer security deposits

Receipts from customer security deposits are held as cash in a separate bank account and are not expected to be used for any other purpose than refunding or utilising the security deposit, which is shown as a liability in note 16. Amounts held as customer security deposits are therefore restricted and therefore not expected to use to settle a liability for at least twelve months after the reporting date.

## 10. Property, plant and equipment

	2019 \$'000	2018 \$'000
<b>Plant and equipment comprises:</b>		
Fixed assets under construction	519	4
Property, plant and equipment at cost	5,941	5,611
Less: Accumulated depreciation	(1,294)	(869)
	<b>5,166</b>	<b>4,746</b>
<b>Reconciliation:</b>		
Carrying amount at start of year	4,746	5,052
Additions	844	76
Depreciation	(424)	(382)
<b>Carrying amount at end of year</b>	<b>5,166</b>	<b>4,746</b>

## 10. Property, plant and equipment (Continued)

### *Measurement and recognition of property, plant and equipment*

#### *Initial recognition and measurement*

All items of property, plant and equipment are initially recognised at cost.

For items of property, plant and equipment acquired at no cost or for nominal cost, the cost is the fair value at the date of acquisition.

#### *Subsequent measurement*

Subsequent to initial recognition as an asset, items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

#### *De-recognition*

Upon disposal or de-recognition of an item of property, plant and equipment, any gain or loss is recognised in the consolidated statement of profit or loss.

#### *Depreciation*

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable assets are:

Plant and equipment    3 to 20 years

Office equipment        5 to 10 years

## 11. Investment Property

	Land	Buildings	Total
	\$'000	\$'000	\$'000
<b>2018</b>			
Carrying amount at start of year	102,000	48,012	150,012
Revaluation	-	12,966	12,966
Additions	-	73	73
<b>Fair value at end of year (note 12)</b>	<b>102,000</b>	<b>61,051</b>	<b>163,051</b>
<b>2019</b>			
Carrying amount at start of year	102,000	61,051	163,051
Revaluation	(5,000)	10,949	5,949
Additions	-	-	-
<b>Fair value at end of year (note 12)</b>	<b>97,000</b>	<b>72,000</b>	<b>69,000</b>

### *Investment properties*

Investment properties are properties held either to earn rental income, for capital appreciation or for both that are not occupied by the consolidated entity. Initially, investment properties are measured at cost including transaction costs. Investment properties are subsequently remeasured annually at fair value. Movements in the fair value of investment properties are recognised directly to profit or loss. As part of the process of determining the fair value of all property, an external independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, will value the Group's property annually. Refer to Note 12.

Property under construction held for future use as investment property is also carried at fair value unless fair value cannot yet be reliably determined. If fair value cannot yet be reliably determined, the property will be accounted for at cost until either the fair value can be reliably determined or when construction is complete.



## 12. Fair value measurements

	Level 1	Level 2	Level 3	Total
2018 Consolidated	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>				
Investment properties	-	163,051	-	163,051
	-	<b>163,051</b>	-	<b>163,051</b>
<b>Liabilities</b>				
Derivative financial instruments	-	(1,274)	-	(1,274)
	-	<b>(1,274)</b>	-	<b>(1,274)</b>
<b>2019 Consolidated</b>				
<b>Assets</b>				
Share investment		3,281		3,281
Investment properties	-	169,000	-	169,000
	-	<b>172,281</b>	-	<b>172,281</b>
<b>Liabilities</b>				
Derivative financial instruments	-	(4,811)	-	(4,811)
	-	<b>(4,811)</b>	-	<b>(4,811)</b>

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no transfers between Levels 1, 2 or 3 during the current and previous period.

### Valuation techniques to derive Level 2 fair values

Level 2 fair values are derived using the income-based approach to arrive at a market value type valuation. The cash flows associated with the asset are discounted using a discount rate that reflects the cost of capital risk and required return.

They are derived from market-based information, such as rental yields or interest rate forward curves. An independent valuation of the investment properties was completed during the financial year by Knight Frank (FY18: CBRE), a qualified valuer with relevant experience in the type of property being valued.

The Share investment is in an unlisted public company that is thinly traded. The direct method of valuation has been adopted as the most appropriate valuation method. The value of the share trades is published. Trading of these shares is considered too infrequent to be classified as level 1 and so are disclosed as level 2.

## 13. Payables

	2019	2018
Current	\$'000	\$'000
Accounts payable	507	604
Sundry creditors	552	296
Employee salaries payable	6	10
Interest payable	39	38
Net GST payable	380	386
Income tax payable/(receivable)	110	57
Corporate purchasing card	28	25
Unpaid distribution	1,496	1,324
<b>Total current payable</b>	<b>3,118</b>	<b>2,740</b>

### Trade and other payables

Trade and other payables are recognised at the amounts payable when the Group becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as they are generally settled within 30 days. Trade and other payables are unsecured.

### Accrued salaries

Accrued salaries when applicable represent the amount due to staff but unpaid at the end of the financial year, as the pay date for the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Group considers the carrying amount of accrued salaries to be equivalent to its net fair value.

## 14. Borrowings

	2019	2018
	\$'000	\$'000
<b>Current</b>		
Term loan (net of associated costs)	75,112	-
<b>Total current</b>	<b>75,112</b>	<b>-</b>
<b>Non-current</b>		
Hire Purchase	131	64
Term loan (net of associated costs)	-	74,861
<b>Total non-current</b>	<b>131</b>	<b>74,925</b>

### Borrowings

All borrowings are initially recognised at cost, being the fair value of the net proceeds received. Subsequent measurement is at amortised cost using the effective interest rate method. At the balance date the Group has an undrawn \$2,000,000 overdraft facility with the National Australia Bank, which expires on 31 March 2020. The Group had a \$499,999 Asset Finance – Leasing facility with the National Australia bank drawn to \$130,520 as at 30 June 2019. After reporting date, the Group refinanced these borrowings with Commonwealth Bank of Australia for 3 years.

### Terms of the borrowings

The Group entered into a four year, \$75,300,000 revolving cash advance facility with the National Australia Bank Limited on 28 March 2016. The facility was interest bearing at a floating rate of interest linked to BBSY and was secured by the assets of the Group. Information on the Group's management of interest rate risk is set out in note 23. After balance date the Group refinanced these borrowings as well as interest rate swap contract with Commonwealth Bank of Australia for 3 years.

Reconciliation of borrowing arising from financial activities	2017	Cash flows	Non-cash changes		2018
			Addition	Fair value changes	
	\$'000	\$'000	\$'000	\$'000	\$'000
Hire Purchase	76	(12)	-	-	64
Term loan (net of associated costs)	74,610	-	-	251	74,861
<b>Total non-current</b>	<b>74,686</b>	<b>(12)</b>	<b>-</b>	<b>251</b>	<b>74,925</b>
	2018	Cash flows	Non-cash changes		2019
			Addition	Fair value changes	
	\$'000	\$'000	\$'000	\$'000	\$'000
Hire Purchase	64	(15)	-	82	131
Term loan (net of associated costs)	74,861	-	-	251	75,112
<b>Total non-current</b>	<b>74,925</b>	<b>(15)</b>	<b>-</b>	<b>333</b>	<b>75,243</b>



## 15. Employee benefit obligations

	2019	2018
	\$'000	\$'000
<b>Current</b>		
<i>Employee benefit obligations</i>		
Annual leave	94	94
<b>Total current</b>	<b>94</b>	<b>94</b>
<b>Non-current</b>		
<i>Employee benefit obligations</i>		
Long service leave	34	36
<b>Total non-current</b>	<b>34</b>	<b>36</b>

### *Employee benefit obligations*

#### *Annual leave and long service leave*

The liability for annual and long service leave expected to be settled within 12 months after the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Annual leave that is not expected to be settled wholly within 12 months after the end of the reporting period and is considered to be 'other long-term employee benefits'.

Annual and long service leave expected to be settled more than 12 months after the reporting period is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the end of the reporting period.

When assessing expected future payments consideration is given to expectations of future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Annual leave and unconditional long service leave provisions are classified as current liabilities when the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

	2019	2018
	\$'000	\$'000
Current leave obligation expected to be settled after 12 months	-	-

## 16. Other Liabilities

Current	2019 \$'000	2018 \$'000
Deposit – magnetic access cards	78	80
<b>Total current</b>	<b>78</b>	<b>80</b>
Non-current		
Security deposits	1,695	1,490
Deferred settlement consideration	7,729	7,440
Derivative financial liabilities – Cash flow hedges	4,811	1,274
<b>Total non-current</b>	<b>14,235</b>	<b>10,204</b>

### *Deferred settlement consideration*

Deferred settlement consideration relates to \$10 million payable to the Western Australian Government for the acquisition of Market City on 31 March 2026. The liability is initially recognised at their fair value and subsequently measured at amortised cost using effective interest method. The amount is classified as non-current at the reporting date as the Group has an unconditional right to defer settlement of the liability until 31 March 2026.

### *Derivatives*

The Group's accounting policy for its cash flow hedges is set out in note 3. For information about the methods and assumptions used in determining the fair value of derivatives, please refer to note 2.

## 17. Related Party Disclosure

### *Parent Entity*

#### **Perth Markets Limited**

### *Subsidiaries*

Interests in subsidiaries are set out below:

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 29(c).

	Principal place of business / Country of incorporation	2019 %	2018 %
Market City Operator Co Pty Ltd	Perth, Australia	100%	100%
Market City Asset Manager Co Pty Ltd	Perth, Australia	100%	100%
Perth Markets Land Trust (PMLT)	Perth, Australia	-	-
Market City Asset Trust	Perth, Australia	-	-

As discussed in Note 1, PMLT and its controlled entity, the Market City Asset Trust form part of the Group's stapled structure. Whilst the Company has no financial ownership of the Trusts, it exerts control over them through its management obligations and joint ownership.

*Key management personnel compensation*

Note: key management personnel includes non-executive board members.

The aggregate compensation made to directors and other members of key management personnel of the Group is set out in note 24.

Directors and Director-related entities hold directly, indirectly or beneficially as at reporting date the following number of shares and units (stapled securities) in this Group.

	Consolidated Shares and Units			Parent Shares		
	2018 ('000)	Change ('000)	2019 ('000)	2018 ('000)	Change ('000)	2019 ('000)
Brisbane Markets Limited	49,103	-	49,103	24,552	-	24,552
United Crate Co-operative Ltd	19,970	-	19,970	9,985	-	9,985
South Australian Produce Markets Limited	15,219	-	15,219	7,610	-	7,610
Market West (The Chamber of Fruit & Vegetable Industries WA (Inc))	4,071	-	4,071	2,035	-	2,035
Oresusa Pty Ltd	2,410	-	2,410	1,205	-	1,205
Maria Ann Lendich	1,000	-	1,000	500	-	500
Miro Lendich	1,000	-	1,000	500	-	500
Jonathan Michael Lendich	200	-	200	100	-	100
Nicole Louise Lendich	200	-	200	100	-	100
Rachel Samantha Lendich	200	-	200	100	-	100
Lendich Superannuation Fund	476	-	476	238	-	238
ME & D Schirripa Super Fund Pty Ltd < ME & D Schirripa Superannuation Fund>	438	-	438	219	-	219
E & T Smith Superannuation Fund Pty Ltd	500	-	500	250	-	250
<b>Total</b>	<b>94,787</b>	<b>-</b>	<b>94,787</b>	<b>47,394</b>	<b>-</b>	<b>47,394</b>

**Transactions with related parties**

The Group transacted with several Directors in the Group and their related entities as customers and suppliers, in relation to leased premises, market services and reimbursement of director costs. The amounts charged were based on normal market rates (including GST) and amounted to:

	2019		2018	
	\$'000	\$'000	\$'000	\$'000
	Charged by	Received from	Charged by	Received from
Brisbane Markets Limited <sup>(a)</sup>	68	-	60	-
Market West <sup>(b)</sup>	288	55	231	52
Smith Enterprises Pty Ltd <sup>(c)</sup>	-	428	-	375
Schirripa Evans Lawyers <sup>(a)</sup>	6	-	10	-
Gidleigh Pty Ltd As Trustee for the Ledge Trust <sup>(a)</sup>	1	-	1	-
<b>Total</b>	<b>363</b>	<b>483</b>	<b>302</b>	<b>427</b>

**Director Related entities**

A. Young	Brisbane Markets Limited
P. Skinner	Market West (Chamber of Fruit & Vegetable Industries in Western Australia (Inc))
E. Smith (resigned)	Smith Enterprises Pty Ltd
D. Schirripa	Schirripa Evans Lawyers
M. Lendich	Miro Lendich family entities and United Crate Co-operative Ltd
F. Romano	Oresusa Pty Ltd
S. Cole	Gidleigh Pty Ltd as Trustee for the Ledge Trust

These amounts exclude any amount payable as a director fee as these are disclosed in Remuneration of members of the accountable Group and senior officers at note 24. These amounts are the total value of any amount receivable or payable from or to the related party and relate to:

- Reimbursement for travel expenses for Board representation at Board meetings.
- Acquisition of gas for forklift operations, for the Waste Transfer Facility (2019: \$8k; 2018: \$7.2k), contribution to the Market West Ball (2019: \$72k; 2018: \$18.5k). Market price reporting (2019: \$50k; 2018: \$59k), Retailer of the Year (2019: \$19k, 2018: \$19k), Produce Executive Program (2019: \$16k, 2018: \$8.3k), Great Green Grocer (2019: \$110k, 2018: \$100k) and rental income, utilities and other costs (2019: \$1k, 2018: \$8k).
- Rent and tenant outgoing expenses (2019: \$385k; 2018: \$329k), Utilities, waste disposal and other costs (2019: \$43k; 2018: \$47k).



## 18. Contributed Equity

### (a) Issued Capital

	PML \$'000	PMLT \$'000	Consolidated \$'000
<b>Stapled Securities</b>			
<b>Balance at 1 July 2017, 30 June 2018 and 30 June 2019</b>	<b>3,344</b>	<b>51,374</b>	<b>54,718</b>

### Stapled Shares

Stapled shares have the right to receive dividends and distributions as declared from both PML and PMLT and, in the event of winding up the company or the trust, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on, stapled shares held. Stapled shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

### (b) Reserves

	Retained earnings \$'000	Cash flow hedge reserve \$'000
<b>Balance at 1 July 2017</b>	<b>22,589</b>	<b>(942)</b>
Result for the year after tax	18,191	-
Movements in fair value of cash flow hedges	-	(332)
Distribution provided for the year	(4,972)	-
<b>Balance at 30 June 2018</b>	<b>35,808</b>	<b>(1,274)</b>
Result for the year after tax	11,513	-
Movements in fair value of cash flow hedges	-	(3,537)
Distribution provided for the year	(3,938)	-
<b>Balance at 30 June 2019</b>	<b>43,382</b>	<b>(4,811)</b>

## 19. Distributions Paid

	\$'000
September 2017 Final Distribution of 2016/17 at 3.4 cents per security paid September 2017	2,000
December 2017 Interim Distribution of 2017/18 at 2.8 cents per security paid March 2018	1,648
<b>Total Distributions paid for 30 June 2018</b>	<b>3,648</b>
September 2018 Final Distribution of 2017/18 at 3.4 cents per security paid September 2018	2,000
December 2018 Interim Distribution of 2018/19 at 3.0 cents per security paid March 2019	1,765
<b>Total Distributions paid for 30 June 2019</b>	<b>3,765</b>

## 20. Notes to the Statement of Cash Flows

### (a) Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2019	2018
	\$'000	\$'000
Operating <sup>(a)</sup>	5,923	5,497
Cash Management	2	2
	<b>5,925</b>	<b>5,499</b>

<sup>(a)</sup> This includes a working capital overdraft facility. In 2019 the account had a balance of \$nil (2018: \$nil)

## (b) Reconciliation of profit after income tax equivalent to net cash flows provided by operating activities

	2019	2018
	\$'000	\$'000
Profit/(loss) after income tax for the period	11,512	18,191
<u>Non-operating or non-cash items:</u>		
Depreciation and amortisation expense	426	633
Revaluation of investment properties	(6,230)	(12,966)
Unwind of discounting in interest expense	289	279
<u>(Increase)/decrease in assets:</u>		
Receivables	(196)	355
Other assets	(42)	70
Deferred tax asset	(83)	(6)
<u>Increase/(decrease) in liabilities:</u>		
Payables	378	37
Provisions	(2)	40
<b>Net cash provided by operating activities</b>	<b>6,052</b>	<b>6,633</b>

**Cash and cash equivalents**

For the purpose of the Statement of Cash Flows, cash and cash equivalents (and restricted cash and cash equivalents) comprise cash on hand, net of bank overdrafts. Cash and cash equivalents includes cash on hand and deposits held at call with financial institutions which are subjected to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position. Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition.

## 21. Commitments

### Contractual & Operating Lease commitments

Commitments in relation to operating leases contracted for at the end of the reporting period but not recognised in the financial statements are payable as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Within 1 year	28	40
Later than 1 year and not later than 5 years	73	64
Later than 5 years	-	-
	<b>101</b>	<b>104</b>
Representing:		
Non-cancellable contractual & operating leases	101	104
	<b>101</b>	<b>104</b>

Commitments in relation to finance leases contracted for at the end of the reporting date are payables as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Within 1 year	15	16
Later than 1 year and not later than 5 years	39	55
Later than 5 years	-	-
	<b>54</b>	<b>71</b>

## 22. Contingent Liabilities

In addition to the liabilities included in the financial statements, there are no contingent liabilities to be disclosed.



## 23. Financial Instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are as follows:

	2019 \$'000	2018 \$'000
<b><u>Financial Assets</u></b>		
Cash and cash equivalents	5,925	5,499
Security deposits	1,695	1,490
Receivables	349	153
Other financial assets	-	1,840
Share investment (FVTPL)	3,281	-
<b>Total financial assets</b>	<b>11,250</b>	<b>8,982</b>
<b><u>Financial Liabilities</u></b>		
Trade payables	3,118	2,740
Borrowings	75,243	74,925
Deferred consideration	7,729	7,440
Derivative financial instruments	4,811	1,274
Security deposits	1,695	1,490
<b>Total financial liabilities</b>	<b>92,596</b>	<b>87,869</b>

### ***Financial risk management objectives and policies***

Financial instruments held by the Group are cash and cash equivalents, restricted cash and cash equivalents, borrowings, receivables, and payables. The Group has limited exposure to financial risks. The Group's overall risk management program focuses on managing the risks identified below.

### **Credit risk**

Credit risk arises from the Group's receivables and through the Group's cash balances held by banking institutions.

The maximum exposure to credit risk at end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

The Group trades only with recognised, creditworthy third parties. The Group's cash balances are held by Australian banks with investment grade credit ratings. The Group has policies in place to ensure that leases are made to tenants with an appropriate credit history. In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is minimal. At the reporting date, there are no significant concentrations of credit risk.

All tenants with outstanding balances exceeding 5 days are notified of their outstanding debt. If this is not paid within 10 days, another letter is provided and a due date for payment advised. Where the due date is missed, the tenant is sent a default notice.

The Group also has the capacity to charge interest on outstanding balances in accordance with the provisions of the lease.

The allowance for impairment of financial assets is calculated based on objective evidence, such as past experience and current and expected observable data indicating changes in client credit ratings. At reporting date, no impairment of financial assets was required and no amounts were overdue.

**Liquidity risk**

Liquidity risk arises when the Group is unable to meet its financial obligations as they fall due. The Group is exposed to liquidity risk through its approach to capital management and its trading in the normal course of business.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and finance leases. The Group has appropriate procedures to manage cash flows by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

The Group manages its short term liquidity requirements through rigorous cash management and the availability of a \$2 million overdraft facility of which \$nil was utilised at reporting date (2018: \$nil).

**Contractual maturities**

	Carrying amount	Up to 3 months	3-12 months	1-2 years	2-5 years	More than 5 years	Total contractual cash flows
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2018</b>							
<u>Non-derivatives</u>							
Payables	2,740	2,740	-	-	-	-	2,740
Hire purchase agreements	64	4	12	16	39	-	71
Term borrowings	74,861	642	1,926	77,226	-	-	79,794
Deferred consideration *	7,440	-	-	-	-	10,000	10,000
<u>Gross-settled Derivatives</u>							
Interest rate swaps - inflow	1,274	(409)	(1,227)	(1,636)	(4,908)	(4,316)	(12,496)
Interest rate swaps - outflow	-	458	1,374	1,832	5,496	4,833	13,993
	<b>86,379</b>	<b>3,729</b>	<b>2,085</b>	<b>77,438</b>	<b>627</b>	<b>10,517</b>	<b>94,396</b>
<b>2019</b>							
Payables	3,118	3,118	-	-	-	-	3,118
Hire Purchase Agreements	131	4	12	16	39	-	71
Term Borrowings	75,112	642	77,226	-	-	-	77,868
Deferred Consideration*	7,729	-	-	-	-	10,000	10,000
<u>Gross-settled Derivatives</u>							
Interest rate swaps - inflow	-	(201)	(480)	(518)	(1,387)	(1,221)	(3,807)
Interest rates swaps - outflow	4,811	458	1,227	1,425	3,421	2,087	8,618
	<b>90,901</b>	<b>4,021</b>	<b>77,985</b>	<b>923</b>	<b>2,073</b>	<b>10,866</b>	<b>95,868</b>

Market risk

Market risk is the risk that changes in market prices such as interest rates will affect the Group's income or the value of its holdings of financial instruments. The Group is not exposed to foreign currency risk or other price risks. The Group's exposure to market risk for changes in interest rates relate primarily to the long-term debt obligations that are at a floating rate of interest determined with reference to BBSY.

The Group uses derivative financial instruments (interest rate swaps) to reduce the exposure to market risks arising from changes in interest rates. The Group does not enter into derivative contracts for the purposes of trading. Hedging decisions are made based on the Group's interest rate risk position. Hedging for the purpose of this policy means a transaction which reduces the calculated interest rate risk on the overall portfolio of interest bearing assets and liabilities using one or more of the interest rate risk measures of value at risk, sensitivity or accrued simulation.

The risk has been managed through the use of an interest rate swap which covers the entire principal of the loan for its duration. The Group has therefore an immaterial current exposure to interest rate risk in the income statement, principally through interest earned on its cash reserves amounting to \$132,000 (2018: \$92,000). A 100 basis point movement in interest rates would have impacted interest revenue in the income statement by \$59,000 (2018: \$54,000).

## 24. Remuneration of Key Management Personnel

Remuneration of key management personnel (amounts in dollar)

	2019 \$	2018 \$
Base remuneration and superannuation	1,049,194	892,822
Annual leave and long service leave accruals	45,049	35,081
Other benefits	-	-
<b>The total remuneration of key management personnel</b>	<b>1,094,243</b>	<b>927,903</b>

## 25. Remuneration of auditor

Remuneration payable to BDO Audit (WA) Pty Ltd and its related entities (amounts in dollar excluding GST)

	2019 \$	2018 \$
Audit and review of the financial statements (including the audit of variable outgoings)	56,791	56,255
Restructure advisory	74,155	-
Restructure Independent Expert Report	7,140	-
Taxation compliance	23,600	24,705
Tax advisory	5,511	48,813
Other advisory	-	5,000
	<b>167,197</b>	<b>134,773</b>



## 26. PMLT Consolidated Group

The financial statements of the Perth Markets Land Trust consolidated Group (PMLT Group) have been prepared on the same basis as the consolidated financial statements.

The financial statements for the PMLT Group report the following amounts:

### (i) Statement of profit or loss and other comprehensive income

	2019	2018
	\$'000	\$'000
<b>Revenue</b>	12,375	12,301
<b>Operating expenses</b>		
Operational expenses	(2,267)	(2,476)
Commercial site management expenses	(1,599)	(1,441)
<b>Operating profit</b>	<b>8,509</b>	<b>8,384</b>
Finance expense	(2,851)	(2,853)
Acquisition related costs	(545)	(636)
Gain on revaluation of investment	5,949	12,966
<b>Profit/ (loss) before income tax expenses/(benefit)</b>	<b>11,062</b>	<b>17,861</b>
Income tax expense/(benefit)	-	-
<b>Profit after income tax for the year</b>	<b>11,062</b>	<b>17,861</b>
<b>Other comprehensive income</b>		
Changes in fair value of cash flow hedges	(3,537)	(332)
<b>Total other comprehensive income</b>	<b>(3,537)</b>	<b>(332)</b>
<b>Total comprehensive income</b>	<b>7,525</b>	<b>17,529</b>



## (ii) Statement of Financial Position

	2019	2018
	\$'000	\$'000
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	1,897	1,999
Receivables	(21)	3
Other Assets	25	33
<b>Total current assets</b>	<b>1,901</b>	<b>2,035</b>
<b>Non-current assets</b>		
Property, plant and equipment	169,000	163,051
Intercompany loan	7,677	5,628
<b>Total non-current assets</b>	<b>176,677</b>	<b>168,679</b>
<b>Total assets</b>	<b>178,578</b>	<b>170,714</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Borrowings	75,112	-
Payables	1,892	1,692
<b>Total current liabilities</b>	<b>77,004</b>	<b>1,692</b>
<b>Non-current liabilities</b>		
Borrowings	-	74,861
Other non-current liabilities	12,540	8,714
<b>Total non-current liabilities</b>	<b>12,540</b>	<b>83,575</b>
<b>Total liabilities</b>	<b>89,544</b>	<b>85,267</b>
<b>Net assets</b>	<b>89,034</b>	<b>85,447</b>
<b>Equity</b>		
Contributed equity	51,374	51,374
Reserve	(4,811)	(1,274)
Retained earnings	42,471	35,347
<b>Total equity</b>	<b>89,034</b>	<b>85,447</b>

**(iii) Statement of changes in equity**

<b>Consolidated</b>	<b>Contributed equity</b>	<b>Cash flow hedge reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Balance at 1 July 2017</b>	<b>51,373</b>	<b>(942)</b>	<b>22,458</b>	<b>72,889</b>
Profit/ (loss)	-	-	17,861	17,861
Other comprehensive income	-	(332)	-	(332)
Total comprehensive income for the year	-	(332)	17,861	17,529
<b><i>Transactions with owners in their capacity as</i></b>				
Contributions of equity, net of transaction costs	1	-	-	1
Distributions to unit holders	-	-	(4,972)	(4,972)
<b>Balance at 30 June 2018</b>	<b>51,374</b>	<b>(1,274)</b>	<b>35,347</b>	<b>85,447</b>
Profit/ (loss)	-	-	11,062	11,062
Other comprehensive income	-	(3,537)	-	(3,537)
Total comprehensive income for the year	-	(3,537)	11,062	7,525
<b><i>Transactions with owners in their capacity as</i></b>				
Contributions of equity, net of transaction costs	-	-	-	-
Distributions to unit holders	-	-	(3,938)	(3,938)
<b>Balance at 30 June 2019</b>	<b>51,374</b>	<b>(4,811)</b>	<b>42,471</b>	<b>89,034</b>



## 27. Parent Entity Note

The individual financial statements for the parent entity show the following aggregate amounts:

<b>Statement of financial position</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Current assets	184	82
Total assets	3,835	4,016
Current liabilities	43	124
Total liabilities	1,891	1,768
<i>Shareholders' equity</i>		
Contributed equity	3,344	3,344
Retained earnings	(1,400)	(1,096)
Total equity	<u>1,944</u>	<u>2,248</u>
Profit/(loss) and total comprehensive income for the year	<u>(305)</u>	<u>(377)</u>

### **Contingent liabilities of the parent entity**

The parent entity did not have any contingent liabilities as at 30 June 2019 (2018: nil).

### **Contractual commitments of the parent entity**

The parent entity did not have any contractual commitments as at 30 June 2019 (2018: nil).

### **Determining the parent entity information**

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements.

## 28. Events occurring after the end of the reporting period

- (a) A discretionary Distribution of \$1,941,724 being 3.3 cents per stapled security, has been recommended by the Board of PML to the Trustee of the PMLT to be paid for the year ending 30 June 2019 and for payment to be made by 30 September 2019.
- (b) The Group has progressed implementation of a scheme of arrangement whereby the organisation structure of the Group is to be materially simplified. This Corporate Restructure involves 'top-hatting' the two principal limbs of the current Perth Markets Group (i.e. PML and PMLT) within a newly incorporated public company and rationalising the various trust and corporate entities which sit within the Perth Markets Group.

First Court orders were received 23 August 2019. Security holder scheme meetings were held 19 September 2019 and approved the scheme. A second Court hearing is to be held 26 September 2019. Subject to all approvals, implementation is expected 1 October 2019.

Whilst the Corporate Restructure involves a restructure of the companies and trusts within the Perth Markets Group, it is important to note that the Corporate Restructure will have no material impact on the overall assets and operations of the Perth Markets Group as a whole. The details of this restructure were contained in a Court approved scheme booklet distributed to all security holders. The restructure has no impact on the Group's 30 June 2019 financial statements.

- (c) On 17 July 2019 the Group refinanced its debt facilities (on terms more favourable to the Group than with its previous provider of banking facilities) with Commonwealth Bank of Australia for 3 years. The impact of this refinancing is anticipated to result in the reclassification of the Group's term debt to 'non-current liability' from 'current liability' (as at 30 June 2019) – refer Note 14. The Group's existing interest rate hedges were novated to Commonwealth Bank of Australia at the same time.
- (d) CEO Stephen Ward resigned on 2 August 2019 and was replaced by Rebecca Moore.
- (e) On 7 August 2019 Eric Smith resigned as director of the Group.

## 29. Summary of significant accounting policies

The Group has adopted any applicable, new and revised Australian Accounting Standards from their operative dates.

### (a) Early adoption of standards

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period – Refer to Note 3.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted – Refer to Note 3.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.



**(b) Basis of preparation**

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, modified by the revaluation of investment property and derivative financial instruments at fair value.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars which is PML's functional and presentation currency. PML is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191 and in accordance with that instrument, the financial statements are rounded to the nearest thousand dollars (\$'000) unless otherwise indicated.

Note 2 'Critical accounting estimates and assumptions' discloses key assumptions made concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**(c) Borrowing costs**

Borrowing costs for qualifying assets are capitalised net of any investment income earned on the unexpended portion of the borrowings. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

No borrowing costs were capitalised in the period as no qualifying assets were constructed.

**(d) Fair value measurement**

When an asset, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either in the principal market, or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

**(e) Impairment of assets**

The Group's non-current assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised.

Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income. As the Group is a for-profit entity, unless a specialised asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost. The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of assets' future economic benefits and to evaluate any impairment risk from falling replacement costs.

**(f) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases where the Group is lessee are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Where the Group is lessor, finance lease are treated as a sale of the relevant asset in exchange for a financial asset, recognised initially at fair value. Operating leases give rise to rental income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

**(g) Provisions**

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

**(h) Sick leave**

Liabilities for sick leave are recognised when it is probable that sick leave paid in the future will be greater than the entitlement that will accrue in the future.

Past history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised in the profit or loss for this leave as it is taken.

**(i) Superannuation**

The Group does not participate in any employer-sponsored defined benefit superannuation plans for its employees. All superannuation payments by the Group are in accordance with the relevant Superannuation Guarantee legislation.

**(j) Employment on costs**

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Salaries and board fees' and 'staff costs'. The related liability is included in 'Employee benefit obligations' note 15.

**(k) Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for when the:

- Deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- Taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amounts of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

**(l) Goods and Services Tax ('GST') and other similar taxes**

Revenues and expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(m) Contributed Equity***Stapled securities*

Stapled securities are classified as equity. Incremental costs directly attributable to the issue of stapled securities are recognised as a deduction from equity, net of any tax effects.

Distributions on stapled securities are recognised as a liability in the period in which they are declared, and are recognised as a return of capital for accounting purposes to the extent that distributions exceed retained earnings.

The holders of stapled securities are entitled to receive dividends and distributions as declared from time to time, and are entitled to one vote per stapled security at security holder meetings. The liability of a member is limited to any remaining amount in relation to a member's subscription for securities.

## Directors' Declaration

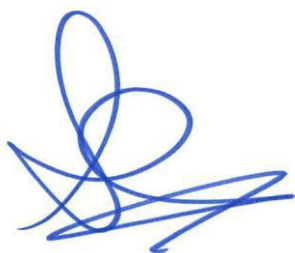
### In the directors' opinion:

- (a) the financial statements and notes set out on pages 30 to 68 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Note 29 (a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors'.

Dated 24 September 2019



Chair/Director



Director





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Australia

## INDEPENDENT AUDITOR'S REPORT

To the members of Perth Markets Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Perth Markets Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of Perth Markets Limited, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the Financial Report**

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf)

This description forms part of our auditor's report.

**BDO Audit (WA) Pty Ltd**

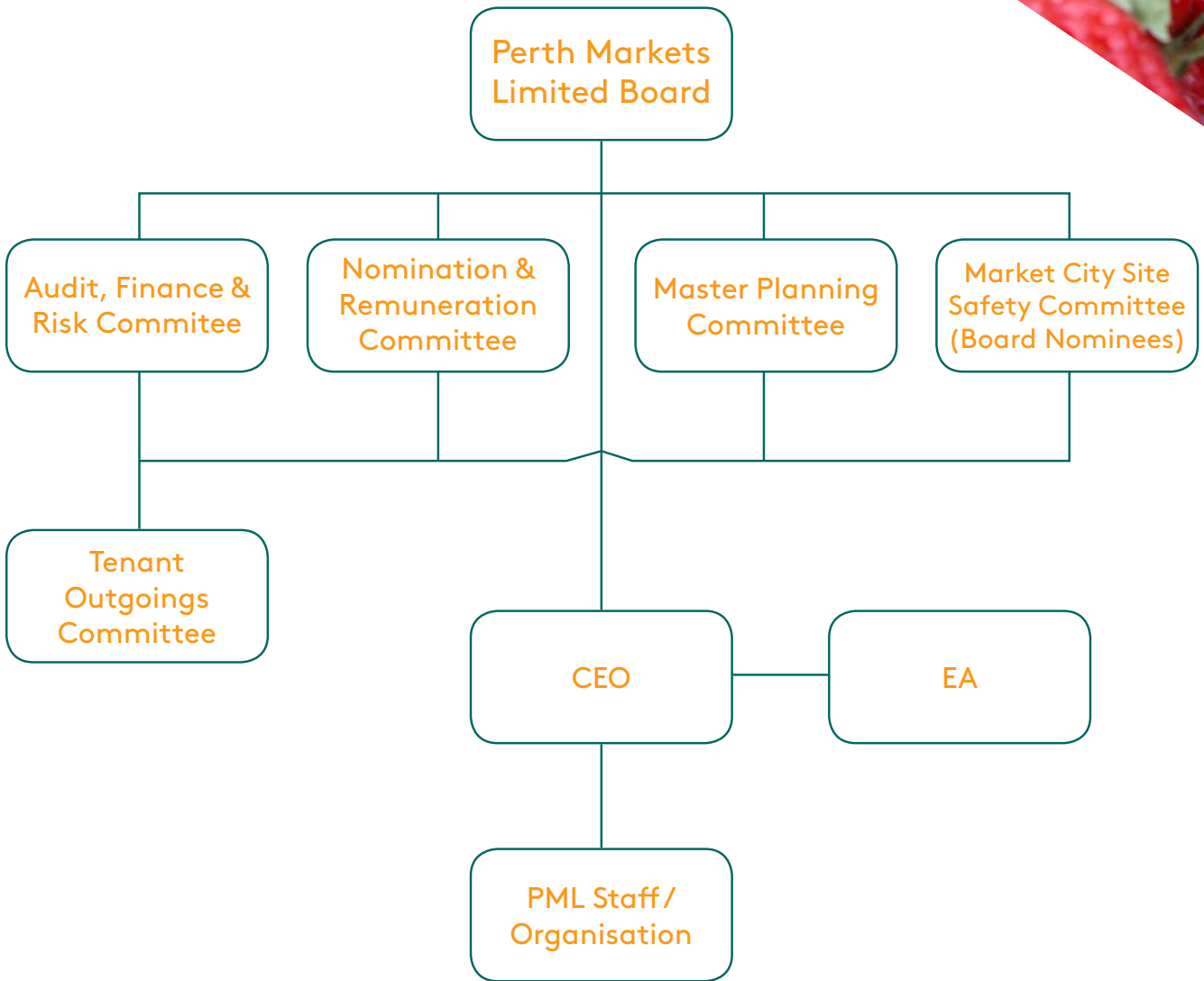
A handwritten signature in black ink, appearing to read 'Neil Smith', written over a faint, stylized BDO logo.

**Neil Smith**

**Director**

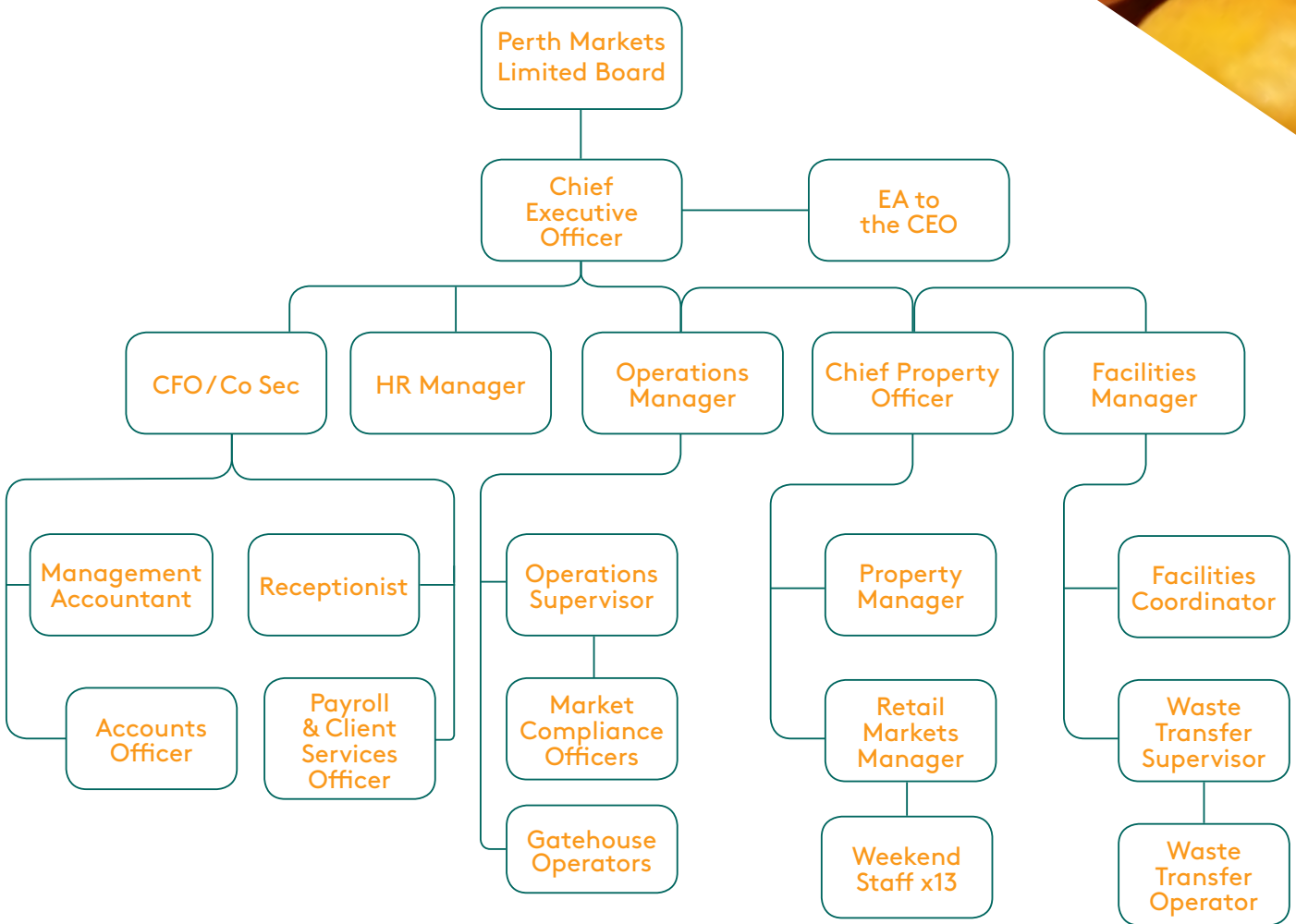
Perth, 24 September 2019

# Board Structure





# Management Structure



## Top 5 PML Shareholders

Brisbane Markets Limited	24,551,501	41.73%
United Crate Co-operative Limited	9,985,191	16.97%
South Australian Produce Markets Limited	7,609,686	12.93%
The Chamber of Fruit and Vegetable Industries WA (Inc)	2,035,400	3.46%
F & J Romano Superannuation Fund	1,205,173	2.05%

## Corporate Directory

### Auditors and Independent Accountant

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38 Station Street  
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### Legal Services

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Perth WA 6000  
Tel: +61 8 9288 6928  
Fax: +61 8 9288 6001  
[www.lavan.com.au](http://www.lavan.com.au)

### Bankers

Commonwealth Bank of Australia Limited  
300 Murray Street, Perth WA 6000  
Tel: 131998  
[www.commbank.com.au](http://www.commbank.com.au)

### Security Registry

One Registry Services Pty Limited  
Level 11, 20 Hunter Street  
Sydney NSW 2000  
Tel: +61 2 81 88 110  
Fax: + 61 2 8580 5790  
[www.oneregistryservices.com.au](http://www.oneregistryservices.com.au)









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MARKETS  
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