



PERTH MARKETS

ANNUAL REPORT

2020/2021





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“ The 2020/21 Financial Year result continues the positive trend in operating profit before tax... ”



Patricia Skinner
Chair, Perth Markets



Mark Lindsay
Acting Chief Executive Officer, Perth Markets



CHAIR & CEO REPORT

The financial year ended 30 June 2021 has been another successful year for the Perth Markets Group Ltd (PMGL) despite the ongoing impact that COVID-19 has had on the broader economy.

The Perth Markets operated throughout the period with little impact on its general operations except for a total of two days, where the Weekend Public Market did not trade due to 'State enforced Lockdowns'. As a result, PMGL delivered on full year Net Profit before income tax of \$15.3m up from the prior year result of \$8.7m.

During the year, construction of the S1 Cold Chain Warehouse building was completed on time and on budget.

The Site Master Planning process commenced in the last quarter of the financial year with expected delivery of the Master Plan by end of 2022. The Master Planning process will be undertaken at a time the City of Canning has commenced its review of critical infrastructure around the Perth Markets Site and the construction of the Metronet train station has commenced adjacent to the south boundary of the Perth Market Site facing Ranford Road. The new Ranford Road train station is expected to be operational by 2024.

DEVELOPMENT PLANNING PROCESS

Planning scheme preparation and approval setting out planning outcomes, development control and development contribution arrangements.

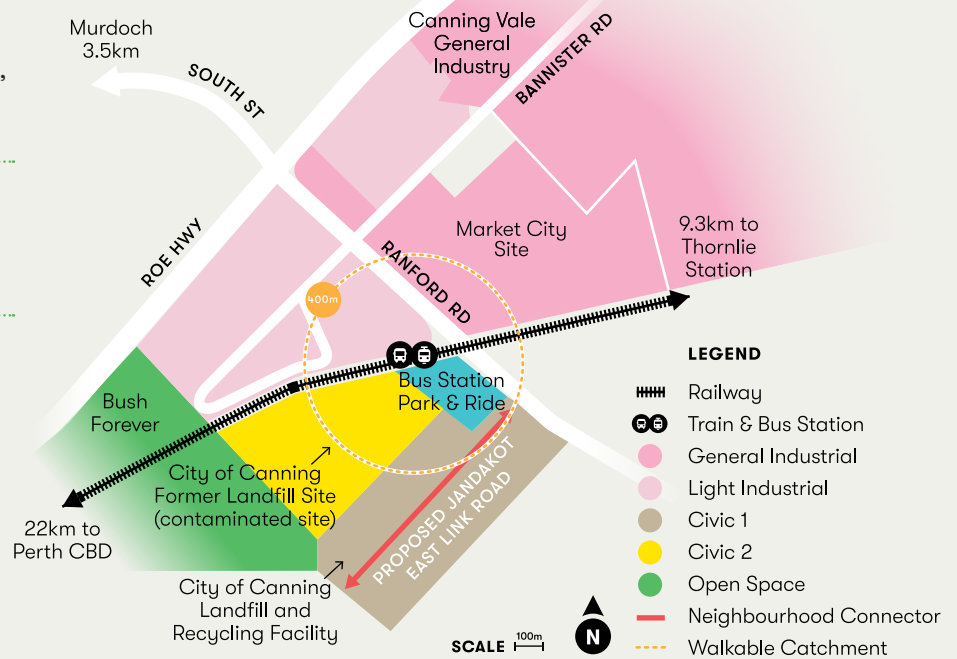
Precinct plans to identify opportunities for increased densities which could be later mandated through a town planning scheme amendment

Any required environmental approvals

Subdivision approval

Development approval.

The first four stages are complete and the development approval has been submitted



Financial Results

The 2020/21 Financial Year result continues the positive trend in operating profit before tax since the privatisation of the Perth Markets in 2016.

Revenue increased 5% on the prior year to \$25.4m partially due to the commencement of leasing of the S1 Cold Chain from November 2020 and a further 4% increase in services review in the same period. Weekend Markets revenue continues to rebound following the closure of the weekend public market in the 2019/20 period due to COVID-19 restrictions.

General operating costs were 27% down on the 2019/20 expenses due to a combination of events, including a reduction to the professional and legal fees as the corporate restructure undertaken in the prior year was completed. Development of a portion of the vacant land for the S1 Cold Chain resulted in a reduction to the Owners share of Land tax, the recovery of the final 20% transition of all land tax through variable outgoings as part of the terms of the original sale agreement with the State Government, and general lower overall operating costs.

Commercial site management expenses (site operating expenses recovered from Tenants through variable outgoings increased 5.7% due to the 'transfer of Land tax and rates costs' from the Owner to Tenant recovered costs due to the completion of the new building S1. As a result, the net operating profit (before tax) from trading operations was \$10.89m, an increase of 21% on the prior year.

The revaluation gain on the Investment Property of \$7.4m (an increase of \$4.4m on the prior year) offset by finance expense for the year of \$2.76m contribute to the overall increase in net profit before tax of \$15.3m vs the prior full year profit of \$8.7m.

Income tax expense from normal operations was \$2.1m with a further \$5.1m recognised as a deferred tax liability relating to the revaluation gain in the Investment property and a post 30 June 2020 change to the corporate tax rate from 27.5% to 30% as noted in the prior years annual report.

Net Assets increased to \$92.75m or \$1.58/share, approximately 10c/share increase on the prior years Net Asset value.

A total of \$3.472m was paid during the year in fully franked dividends (5.9c/share) representing a final 2020 dividend of \$1.648m (2.8c/share) and an interim 2021 financial year dividend of \$1.824m (3.1c/share).

Subsequent Events

Subsequent to year end, PMGL has commenced detailed planning for the next phase of commercial development of the site principally on the vacant land at the rear of the Perth Markets Site. It is proposed to develop additional warehousing and related infrastructure and facilities over the period 2022 through to 2026 at a cost of approximately \$50m. Interest in the proposed developments is high with full pre commitment from interested parties anticipated to underpin the investment.

“ Weekend Market average attendances are slowly increasing back toward our pre COVID levels. ”

Subsequent to the end of the financial year, Mr Steven Cole stepped down as Chairman and Director of PMGL after four years of helping guide Perth Markets Group Limited’s (PMGL) growth and deliver sound financial returns. In parallel commenced a recruitment process for a new CEO, with Rebecca Moore’s departure from this role in late July. The Board expects to announce the CEO replacement at the Annual General Meeting in November 2021.

The Board thanks Steven and Rebecca for their service to PMGL and we wish them all the best in their future pursuits.

On 25 August 2021, the Board of Directors declared a final dividend for the 2021 Financial Year of 3.48c/share fully franked. The dividend was paid to shareholders on 20 October 2021.

COVID 19 Update

We have had another successful financial year at PMGL, despite the overall impact the COVID-19 pandemic continues to have on the broader community. While we were impacted by periods of lower activity during COVID-19 shutdowns, for most of the past financial year we have continued to operate with few operational restrictions at the Perth Markets.

The Perth Markets plays an important and vital role in the provision of fresh fruit and vegetables to greater Perth and Western Australia as an essential service to the community.

PMGL Management has engaged with Public Health Emergency Operations Centre (PHEOC) to ensure that the Perth Market Site can continue to operate efficiently and effectively should it become a COVID-19 exposure site at some time in the future. The Perth Market is at high risk of potential exposure due to the number of people entering the site each day including the number of interstate transport operators. PMGL engages closely with transport operators to ensure that the risk of transmission from an infected person is low and that operators adhere to State and Federal Government directions.



Property & Leasing

As at the 30 June 2021, there were 171 leases and licenses in place at the Perth Markets and Market City site, with an occupancy rate of 99.1%.

A total of 27 new leases/licences were executed through the year and six extensions of existing leases finalised and approved.

PMGL undertakes an independent valuation of the property assets “Investment Properties” each financial year. The Independent valuer assessed the value of the Investment Properties as at 30 June 2021 at \$189m, an increase of \$16.6m on the prior year, represented by a “fair value” increase in the carrying value of \$7.4m and additions of \$9.2m (being mainly the S1 Cold Chain Warehouse development). The S1 Cold Chain Warehouse is the first of three buildings approved in the original 2019 development application for the South East Triangle.

During the year, short term leases over vacant land within the South East Triangle were entered into with the NEWest Alliance who are constructing the new Metronet Ranford Road Train Station for a lay down area to assist in its construction.



Thanks

ACKNOWLEDGEMENT & THANKS

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

In closing, PMGL recognises the contribution and support of the Board and the whole PMGL management team for their contribution during the year.

With the ongoing support and combined efforts of PMGL's valued industry stakeholder, tenant and customer base, we look forward to working together to make Perth Markets and Market City a destination location and the continued hub of fresh fruit and vegetable trading in Western Australia.



Site Operations, Work Health and Safety

PMGL treats matters of safety with the utmost importance and continues to dedicate significant time and resources into adopting and upholding safe work practices, as well as educating site users and stakeholders.

PMGL continues to work closely with its insurer to ensure compliance obligations are met. This engagement has resulted in successive years of below market insurance premium increases at Perth Markets, putting the Perth Market precinct in the lowest quartile of premium increases amongst its peer group.

Site Rules are in place to facilitate an effective, efficient and safe business trading environment for all site users. The Site Rules are reviewed annually to ensure they continue to meet necessary safety and operational standards.

A new safety framework was developed including a comprehensive Work Health and Safety Plan and supporting policies and documents. The Site Safety Committee meets monthly to provide feedback to PMGL from site users and to assist in increasing the level of education and communication concerning safety on the Site.

Site Infrastructure and Maintenance

The development of a 20-year strategic asset management plan (SAMP) was completed and the forecasted spend included in the 10-year financial plan.

The SAMP program will see approximately \$4.2m in site upgrades undertaken in the 2021/2022 financial year relating to roof replacements, road and infrastructure upgrades and installation of wet fire systems. This forms part of an ongoing "life cycle" maintenance strategy for the site.

Weekend Markets

PMGL values the contribution of the weekend markets to making the site a destination precinct.

For the financial year ended 30 June 2021, Saturday Clearance Market average weekly attendance was 767 cars and Sunday Community Market attendance averaged 3,279 people. Both average attendance figures are down on the prior year averages prior to the markets suspension due to COVID-19 restrictions from April 2020 to the beginning of July 2020.

Weekend market average attendances are slowly increasing back toward our pre COVID-19 levels.



VISION

Perth Markets and Market City – a developed, mixed use, destination precinct.

PURPOSE

Deliver shareholder value as a property owner, manager and developer, primarily serving the fresh produce industry.



INTRODUCTION

OVERVIEW

Perth Markets Group Limited (PMGL) is an industry-based facility owner, manager and developer. The Perth Markets and Market City sites, owned by PMGL, contains a diverse cluster of wholesale, logistics, retail and commercial businesses.

Perth Markets is Western Australia's (WA) only wholesale fruit and vegetable market and plays a pivotal role in connecting the grower to the consumer. More than 13,000 individuals access the Market each week and more than 200,000 tonnes of produce is traded annually with a value of more than \$600m. On weekends, the Site is home to a Saturday Wholesale Clearance Market and Sunday Community Market.

Market City is a consumer retail/commercial centre containing businesses, shops, healthcare providers and eateries.

The operations on Site not only play a critical role in fresh produce supply, but they also contribute significantly to the State's economy which benefits local communities and families.

PRIMARY WHOLESALERS



25

located in Central Trading Area



REGISTERED TRANSPORT OPERATORS



539

↑125

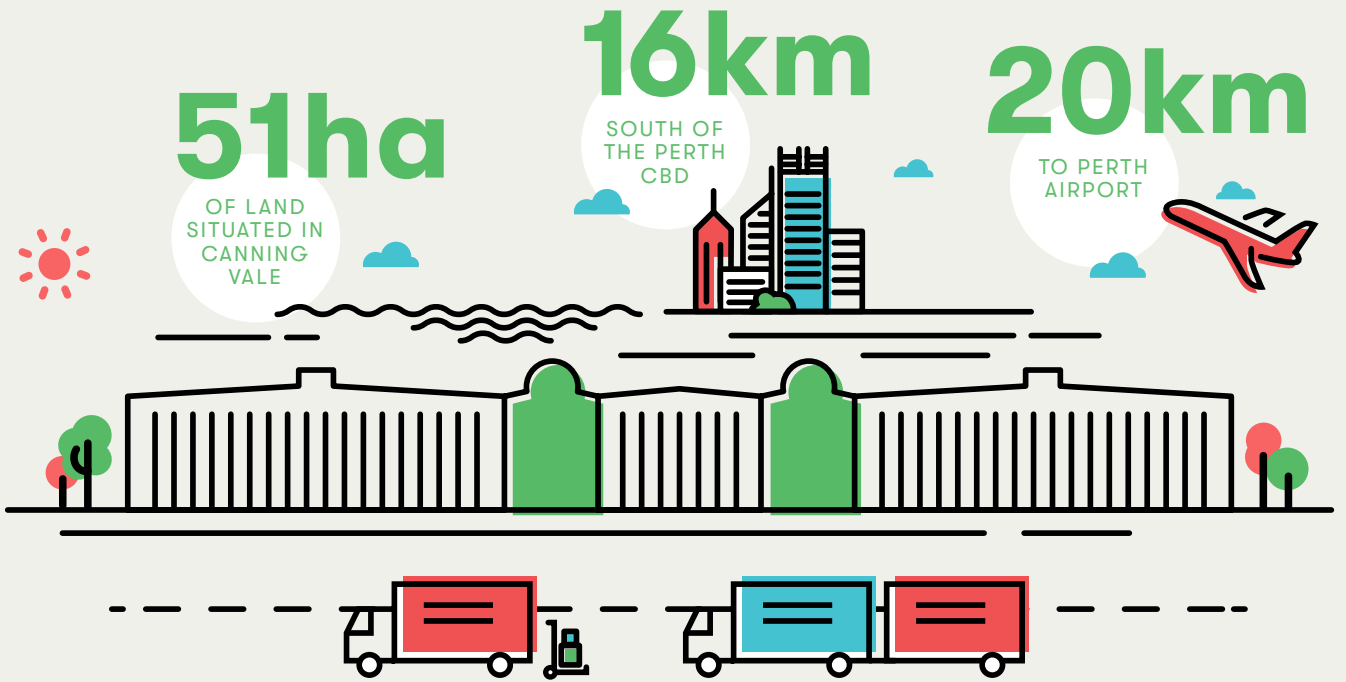
TOTAL LETTABLE BUILDING AREA



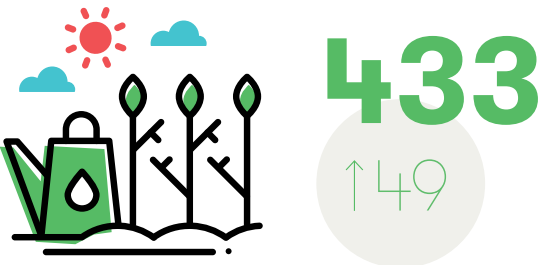
89,508

sqm

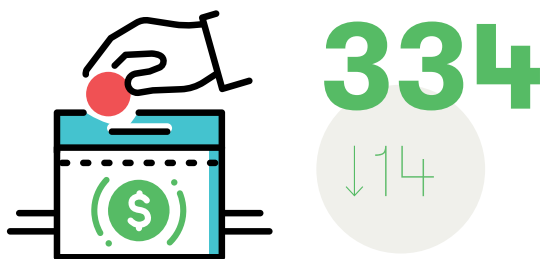
THE SITE



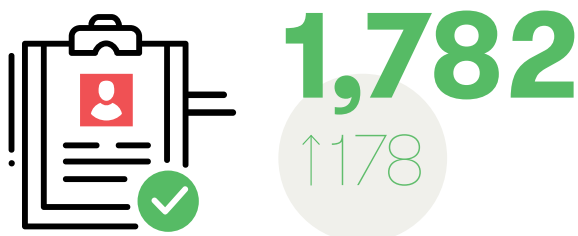
REGISTERED GROWERS



ACTIVE BUYERS GROUPS



TENANT EMPLOYEES ON SITE



VEHICLES ENTERING SITE



TOTAL ASSETS



NET ASSETS



STRATEGIC DIRECTION

Strategic Plan

OUR VISION

PERTH
MARKETS AND
MARKET CITY –
A DEVELOPED,
MIXED USE,
DESTINATION
PRECINCT.

TO ACHIEVE OUR PURPOSE OF

Delivering shareholder value as a property owner, manager and developer, primarily serving the fresh produce industry

WE WILL DELIVER

Sound sustainable returns to shareholders and a compelling value proposition to our customers

WHICH IS ACHIEVED BY FOCUSING ON

IMPROVE IT	<p>Optimise Current Operations</p> <ul style="list-style-type: none">Safe SiteEfficient and Effective Site ManagementCustomer Experience FocusImplement Strategic Asset Management PlanOrganisational Capability and Systems
DEVELOP IT	<p>Future Sustainable Growth</p> <ul style="list-style-type: none">Develop Site Master PlanActively Develop South-East TriangleDevelop Commercial/Retail Destination PrecinctDiversify Tenant Mix/Product Offering (CTA and Non CTA)
IMAGINE IT	<p>New Opportunities</p> <ul style="list-style-type: none">Expand Complementary ServicesIdentify Metronet Related OpportunitiesNational Markets CollaborationStrategies Beyond Current SiteEnergy Efficiency

PERFORMANCE OVERVIEW

*excluding days closed

OCCUPANCY RATE

99.1%



SUNDAY PATRONS AVERAGE*

3,279

↓1,586



LEASES AND LICENCES

171

↑16



SUNDAY STALLS BOOKED AVERAGE*

204

↓101



INVESTMENT PROPERTY REVALUATION GAIN

\$7.4m



SATURDAY CARS ATTENDING AVERAGE*

767

↓265



FRESH PRODUCE TRADED

219,643t

↓2,456



WASTE VOLUME

2,395t

↑400



WATER CONSUMED

61,630kl

↑11,013



ELECTRICITY CONSUMED

23,856mwh

↓627



STRATEGIC OUTCOMES

Site Master Plan

Architectural firm DWP has been appointed lead consultant to undertake the 20 year Site Masterplan. DWP will be supported by a sub-consultant team who will provide expertise as required. Expected to take 12 – 18 months to complete, the initial stage is focussed on completing an analysis of the existing site.

Site Rules and Guides

The revised Site Rules and Guides came into effect as of 1 January 2021. These key documents outline the expectations and responsibilities for users of the Perth Markets Site. In conjunction with these documents, PMGL undertook a Site-wide education campaign to engage Site Users on their obligations; working hand in hand with them to deliver Inductions and briefing sessions for their staff.

Traffic Management Plan

PMGL's revised Traffic Management Plan outlines Site User obligations when operating a vehicle on Site. It ensures Users align with traffic regulations and legislation and covers traffic controls, pedestrian safety and forklift operation.

South-East Triangle Development

Building 1 (a \$8.4 million, 3,952m² cold chain warehouse) was completed ahead of schedule and welcomed tenants SJ Fresh, Brindle Group and Select Fresh in November 2020. Discussions have commenced with two prospective tenants for 3,000m² of Building 2 – a DA approved 4,000m² cold chain warehouse. Construction will commence on sufficient precommitment. Discussions are continuing with a single tenant for a new building exceeding 6,000m². The outcome of these discussions is expected prior to the end of 2021.



Capital works

Signage across the site has been removed, replaced and upgraded in line with the DVC traffic flow report and the wayfinding proposal to clean up the site from the sign pollution that existed and refresh the look.

A number of projects were identified and required further engineering and design to establish costings, these have progressed through the engineering/design phase and will be going to tender 21/22. These include the rolling road re-surfacing program, installation of roundabouts between CTA and buyers bays and roof repairs across site.

Wholesale Retail Centre Upgrade

The evaporative air conditioning installation was completed in December 2020. New shade sails were installed in May 2021. New fire detection system install was completed June 2021.



Strategic Asset Management Plan

The Strategic Asset Management Plan continues to be refined and identifies assets that will require replacement. The SAMP will continue to develop as the Site Master Planning is completed.

Energy Efficiency

Various studies have been undertaken across the Site and a continuation of replacing old halogen lighting with LED is rolling across Site.

Safety Programs

Working with Market West, various communications and educational materials were shared with Site users with a view to support them to comply with their obligations following upcoming changes to Workplace Health and Safety law.

Site Induction

The new Site Induction ensures all Site Users are clear on their responsibilities under the Site Rules and Guides and Traffic Management Plan. All Site Users must complete the Site Safety Induction before being issued an Access Card. Additionally, all Forklift Operators must complete a Forklift Induction to obtain a PMGL Forklift Permit.

IT system upgrade

To centralise and consolidate administrative systems, PMGL has adopted new technologies into daily operations including Microsoft SharePoint.

New website

To support our customers, a new website has been launched. Not only is the site more visually appealing and user friendly, but the system allows customers to interact with PMGL and complete key tasks such as completing site safety inductions, requesting CCTV footage, booking parking bays and booking weekend market stalls.

CORPORATE SOCIAL RESPONSIBILITY

KEY CHALLENGES

A Better Choice

PMGL proudly supports 'A Better Choice' — a joint initiative by industry group Fresh Markets Australia (FMA) and the Central Markets Association of Australia (CMAA). The program supports more than 500 retailers across Australia and is designed to educate consumers about the quality, service and freshness of produce at their local fruit and vegetable shop. It presents an opportunity for consumers to come together to help create a positive future for business owners, produce wholesalers and local growers who supply them.

Market West

PMGL works closely with Market West as the key industry representative organisation. Our commitments and support for Market West include sponsorship of WA Retailer of the Year Awards, Perth Markets Ball, Perth Markets Golf Day and the Cherry Auction.

Foodbank

PMGL continues to partner with Foodbank WA, helping them provide food relief to more than 43,000 people each month. PMGL's support includes provision of a warehouse, where Foodbank collects and receives produce donated from PMGL's Tenants. In the 2020/21 financial year, Tenants donated 115,974 kg of produce that otherwise would have gone to landfill. PMGL also directly supports the School Breakfast Program which provides a nutritious breakfast to thousands of primary school students across WA as well as the Food Sensations nutrition education and cooking program.

Shalom House

PMGL engages Shalom House to collect rubbish on the Site. Shalom House is a residential rehabilitation centre located in Perth and runs a holistic rehabilitation program. Part of an individual's participation and recovery is to undertake meaningful work in the community such as that at the Perth Markets' Site.

COVID-19 pandemic

PMGL has developed a Pandemic Plan to ensure businesses operating from the Site can continue to carry out essential services, including during times of lockdown.

A number of precautions have been implemented including hand sanitiser stations, QR coding and Site Users are reminded to maintain social distancing and practice good hand hygiene.

During periods with increased State Government restrictions, PMGL adjusts operations to comply with requirements. Lockdowns have impacted the operations of the Weekend Markets more so than the wholesale market.

Queensland Fruit Fly

In February 2021, the State Government's Department of Primary Industries and Regional Development (DPIRD) released a gazettal notice regarding an outbreak of the Queensland Fruit Fly in Coolbellup, Western Australia.

The notice placed the Perth Markets' Site within a 15km Quarantine Area. This imposed requirements for how certain products had to be handled, stored and transported in and out of the Quarantine Area (including the Perth Markets Site).

PMGL supported Quarantine efforts by educating Site Users. While DPIRD were responsible for monitoring compliance with government requirements, and issuing enforcements, PMGL supported them by inducting DPIRD staff to site and providing access.

The Quarantine Area Notice ceased on 24 May 2021, returning the business-as-usual approach to market operations.



FINANCIAL REPORT

YEAR ENDED 30 JUNE 2021

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Perth Markets Group Limited (PMGL) and the entities it controlled at the end of, or during, the year ended 30 June 2021, referred to throughout this report as the 'Group'.

Information about the Directors and Officers

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

Name	Role	Date Appointed	Date Resigned
Directors			
Steven Cole	Independent Non-Executive Chair		26 July 2021
Patricia Skinner	Non-Executive Deputy Chair		
	Acting Non-Executive Chair	26 July 2021	
	Non-Executive Chair	13 August 2021	
Andrew Young	Non-Executive Director		
Miro Lendich	Non-Executive Director		
Frank Romano	Non-Executive Director		
Richard Thomas	Non-Executive Director		
James Ryan	Non-Executive Director		
Tony Ceravolo	Non-Executive Director		
Officers			
Rebecca Moore	Chief Executive Officer		26 July 2021
Mark Lindsay	Acting Chief Executive Officer	29 July 2021	
	Company Secretary / CFO		

Principal Activities

During the year, the principal continuing activities of the consolidated entity consisted of the management and development of the Perth Markets Site and providing a marketing and distribution hub for fresh produce supply to the State of Western Australia. The Perth Markets Site is home to a diverse cluster of businesses involved in wholesale trading, food retailing, business service providers and weekend consumer markets.

The Perth Markets Site was acquired on 31 March 2016 from the State Government and is WA's primary trading centre for fruit and vegetables. The Group generates income from its owned properties as well as income from services and activities provided to tenants at the Perth Markets site.

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

Operating Results

The net operating profit/(loss) of the consolidated entity after income tax for the year ended 30 June 2021 was \$8,104k, 30 June 2020: (\$5,216k).

	2021 \$'000	2020 \$'000	% Change
PMGL Operating Profit	10,892	8,974	21%
Fair value gain on revaluation of investment properties	7,440	3,000	148%
Fair value gain on revaluation of financial assets	57	122	(53%)
Finance expenses	(2,759)	(2,847)	(3%)
Acquisition related costs	(319)	(490)	(35%)
Net Profit before income tax	15,311	8,759	75%
Less income tax expense from continuing operations	(2,095)	(1,259)	
Less income tax expense arising from deferred tax liability due to Corporate Tax rate adjustment	(2,589)	-	
Less income tax expense from deferred tax liability due to revaluation of investment property during the current year*	(2,523)	(12,716)	
Net Profit/(Loss) after income tax expense	8,104	(5,216)	

The net profit/(loss) after income tax includes the following material transactions for the year:

- » A gain on the revaluation of Investment Properties of \$7,440k following an independent valuation at 30 June 2021. The total increase in the carrying value of Investment Properties was \$16.613k including the completion of the new Cold Chain Warehouse.
- » Adjustment of the corporate tax rate to 30% on the carrying value of PMGL's tax liabilities including the deferred tax liability, which represents a future tax obligation payable on sale of Investment Properties should that occur. As reported in the 2020 Annual Report, PMGL had applied for a private tax ruling to apply the 27.5% tax rate, in line with a previous private tax ruling granted for the 2018/2019 year. In September 2020, the ATO advised that it had denied the request for the tax ruling, on the basis that the prior year's tax ruling was incorrectly granted. As a result, PMGL was required to restate the carrying value of its deferred tax liability to the 30% tax rate. Included in the tax expense for the year ended 30 June 2021, is a charge to the profit and loss of \$2,589k.
- » * The comparative information relates to the recognition of deferred tax liability for the first time following the Corporate Restructure on 1st October 2019 of \$12,310k.

Review of Operations

The consolidated Group's continued operational focus throughout the full year remained unchanged in the management and development of the Perth Markets Site. The vacancy rate for the site at the 30th June 2021 was 0.9% (2020: 1.9%).

The impact of COVID 19 on the continuing operations of the Perth Market site, its tenants and customers during the year was minimal, with PMGL providing rental assistance totalling \$46k. The site returned to full operations, inclusive of the opening to the public of the weekend markets by the second week of July 2020.

Major undertakings this year were:

Construction of the new Cold chain Warehouse (Building 1) on the vacant land of Market City Site was completed in November 2020, on time and on budget. The new warehouse is 3,568 sqm in area and consists of 3 tenancies. At completion the new warehouse was fully tenanted.

The land & buildings of Perth Markets Site were independently valued in June 2021 by CBRE Valuations Pty Limited (CBRE), and the financial accounts of the consolidated entity reflect the movement in the value of the asset, "Investment Properties". The value of Investment Properties was increased by \$7,440k following the completion of the independent valuation at 30 June 2021. The increase is an unrealised gain to the consolidated entity's financial results, which is not included in the cash flow or dividend calculation for the financial year ended 30 June 2021.

Dividends

Dividends paid to shareholders during the year were as follows:

Paying Entity	Payment Rate	2021	2020
PMGL – (December 2020 Interim Dividend for FY 2020/21)	3.1 c/ share fully franked @ 30.0% Paid on March 2021	\$1,824,044	Nil
PMGL – (Final dividend for FY 2019/20)	2.8 c/ share fully franked @ 30.0% Paid on November 2020	Nil	\$1,647,524

Significant Changes in the State of Affairs

During the year, PMGL acquired an additional 152,421 shares in Brisbane Markets Limited (BML) at a cost of \$3.51 /share through an off-market sale transaction. Following the acquisition of the shares, PMGL now holds 2% of BML equity at a value of \$3.9m.

During the year, PMGL completed the construction of the new Cold Chain Warehouse at a total cost of \$9.2m. Funding for the construction came from PMGL's construction facility with its bankers.

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

Events Since the End of the Financial Year

The COVID-19 pandemic (globally and within Australia) continues to provide a level of uncertainty that remains beyond the control of PMGL. The Group remains focused on managing the Perth Markets site, in conjunction with its tenants, in a way that minimises the risks associated with the spread of COVID-19 across the operations of the Perth Markets site.

As at the date of this report, the directors of PMGL are unable to determine what level of future restrictions may be imposed upon the Group through Government actions as a result of any further outbreak and the spread of COVID-19 in Western Australia and what financial impact any restrictions may have on PMGL in future periods.

The Chairman of the Group, Steven Cole, and the CEO, Rebecca Moore, have resigned from their positions effective from 26 July 2021. The Board of Directors will undertake a review of its needs with respect to Board and CEO requirements in the coming weeks. In the interim period the Deputy Chair, Patricia Skinner has assumed the role of Chair and the CFO, Mark Lindsay has assumed the role of Acting CEO.

Other than the above, there has been no matter or circumstance occurring subsequent to the end of the financial year that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely Developments and Expected Results of Operations

The Group will continue to operate the Perth Markets 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 Perth Markets site to its highest and best use through the construction of cold chain warehouses. As part of the delivery of this goal, PMGL has commenced a whole of site Master Planning review that is expected to be completed by the end of 2022 Calendar year.

Information on Directors



STEVEN COLE

**Independent Non-Executive Chair
(Resigned 26 July 2021)**

Experience and 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 formerly 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

**Non-Executive Deputy Chair
(Non-Executive Chair from 13
August 2021)**

Experience and 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 since 1996
- » President of Market West 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 Markets Act and the Bylaws and two government reviews of the Mandatory Horticultural Code of Conduct.



ANDREW YOUNG

Non-Executive Director

Experience and 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 and holds a Bachelor of Commerce, a Bachelor of Agricultural Science (Hons) and Graduate Diploma in Corporate Management. Andrew is also a Fellow of CPA Australia and a member of the Australian Institute of Company Directors.
- » Detailed knowledge of the operations of the fresh produce industry and central markets and relevant experience in property development and the construction of warehouses.
- » Member of Master Planning Committee, Audit Finance & Risk Committee, Nominations and Remuneration Committee



FRANK ROMANO

Non-Executive Director

Experience and 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.
- » 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.



JAMES RYAN

Non-Executive Director

Experience and Expertise

- » Background in Civil Engineering with managerial experience at a plant hire organisation.
- » Extensive knowledge of the fresh produce industry and central markets having worked in both the Sydney & Perth Markets.
- » Currently General Manager with Perfection Fresh, delivering shareholder value for Perfection Fresh's WA division.
- » Vice President of Market West formerly The Chamber of Fruit and Vegetable Industries in Western Australia since 2019.
- » Member of the Market West Management Committee since 2011.
- » Involvement and oversight of the Perth Markets privatisation process and the successful industry-backed bid in 2016.



MIRO LENDICH

Non-Executive Director

Experience and 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.



RICHARD THOMAS

Non-Executive Director

Experience and Expertise

- » Independent, non-executive finance director and chair of the Audit, Finance & Risk Committee, who holds similar roles at Brightwater Care Group
- » External member on the City of Joondalup Audit & Risk Committee and the Public Trustee of WA Investments Committee
- » 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.
- » Member of CAANZ and IIA.



TONY CERAVOLO

Non-Executive Director

Experience and Expertise

- » Director of South Australian Produce Market Limited since December 2007.
- » Managing Director – R Ceravolo & Co Pty Ltd.
- » Director and Founder – Ashton Valley Fresh Juices.
- » Director – Ceravolo Orchards Pty Ltd and LOT 100.
- » 35 years of experience in orchards and wholesale of fruit and vegetables.
- » Grower of Apples, Pears, Cherries and Strawberries.



MARK LINDSAY

Company Secretary/Chief Financial Officer (Acting Chief Executive Officer from 29 July 2021)

Experience and Expertise

- » Over 30 years of broad industry experience in retail, supply-chain, property, franchising, finance, mining, energy and QSR as CFO, CEO and Director.
- » Highly experienced in corporate transactions, advisory and expansion services through multiple business and industry operations.
- » Chair of Advisory Board of large national family business.
- » Non-executive director & Chair of Audit & Risk Committee of national franchised print and building technologies businesses.
- » Advisor to private Aboriginal business.
- » Contract CFO since February 2020 and appointed Company Secretary from May 2020.
- » Member of AICD and CAANZ.

Meetings of Directors

The number of meetings of the Company's board of directors held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	No. of meetings eligible to attend	No. of meetings attended
S. Cole	11	11
P. Skinner	11	11
A. Young	11	11
F. Romano	11	11
J. Ryan	11	10
M. Lendich	11	11
R. Thomas	11	11
T. Ceravolo	11	10

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

The number of meetings of the committee held during the year ended 30 June 2021, and the number of meetings attended by each member were:

	No. of meetings eligible to attend	No. of meetings attended
R. Thomas	6	6
A. Young	6	6
P. Skinner	6	6
S. Cole	6	5

Meetings of Nominations & Remuneration Committee

The number of meetings of the committee held during the year ended 30 June 2021, and the number of meetings attended by each member were:

	No. of meetings eligible to attend	No. of meetings attended
S. Cole	2	2
A. Young	2	2
F. Romano	2	2

Meetings of Master Planning Committee

The number of meetings of the committee held during the year ended 30 June 2021, and the number of meetings attended by each member were:

	No. of meetings eligible to attend	No. of meetings attended
F. Romano	4	4
A. Young	4	3
J. Ryan	4	3
M. Lendich	4	4
S. Cole	4	3

Shares under Option

(a) Unissued shares

There are no unissued shares under option in Perth Markets Group Limited at the date of this report.

(b) Shares issued on the exercise of options

There were no shares in Perth Markets Group Limited issued on the exercise of options during the year ended 30 June 2021.

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.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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.

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 the following page.

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 Australian dollars (\$k), or in certain cases, to the nearest Australian dollar.

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



CHAIR

Patricia Skinner

24th August 2021



NON-EXECUTIVE DIRECTOR

Richard Thomas

24th August 2021

AUDITOR'S INDEPENDENCE DECLARATION



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Australia

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

As lead auditor Perth Markets Group Limited for the year ended 30 June 2021, 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 Group Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Neil Smith', with a stylized flourish extending to the right.

Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 24 August 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Continuing operations			
Revenue	4a	24,780	23,646
Other income	4b	655	581
Total Revenue from continuing operations		25,435	24,227
Operating expenses			
Weekend markets expenses		(461)	(364)
Operational expenses	5	(3,676)	(5,036)
Commercial site management expenses	6	(9,961)	(9,421)
Depreciation and amortisation expenses		(445)	(432)
Operating profit		10,892	8,974
Gain on revaluation of investment properties	11	7,440	3,000
Fair value gain on financial assets through profit or loss		57	122
Finance expenses		(2,759)	(2,847)
Acquisition related costs		(319)	(490)
Profit before income tax		15,311	8,759
Income tax expense	7	(7,207)	(13,975)
Profit/(Loss) after income tax for the year		8,104	(5,216)
Other comprehensive income			
<i>Items not reclassified subsequently to profit or loss:</i>			
Changes in the fair value of cash flow hedges (net of tax)	18b	1,247	553
Total other comprehensive Income for the year		1,247	553
Total comprehensive Income/(Loss) for the year		9,351	(4,663)

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 2021

	Note	30 Jun 2021 \$'000	30 Jun 2020 \$'000
Assets			
Current assets			
Cash and cash equivalents	20a	9,650	7,357
Receivables	8	486	278
Other Financial Assets	9a	1,783	-
Other assets	9b	662	660
Total current assets		12,581	8,295
Non-current assets			
Property, plant and equipment	10	5,157	7,318
Investment property	11	189,000	172,387
Deferred tax asset	7	1,906	-
Financial assets at fair value through profit or loss	9a	3,995	3,403
Other assets	9b	150	1,621
Total non-current assets		200,208	184,729
Total assets		212,789	193,024
Liabilities			
Current liabilities			
Payables	13	3,661	3,096
Employee benefit obligations	15	139	116
Other current liabilities	16	78	80
Total current liabilities		3,878	3,292
Non-current liabilities			
Borrowings	14	83,538	76,331
Employee benefit obligations	15	40	28
Deferred tax liability	7	18,408	11,195
Other non-current liabilities	16	14,179	15,311
Total non-current liabilities		116,165	102,865
Total liabilities		120,043	106,157
Net assets		92,746	86,867
Equity			
Contributed equity	18a	54,718	54,718
Reserves	18b	(3,011)	(4,258)
Retained earnings	18b	41,039	36,407
Total equity		92,746	86,867

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 2021

	Note	Contributed equity \$'000	Cash flow hedge reserve \$'000	Retained earnings \$'000	Total equity \$'000
Consolidated					
Balance at 30 June 2019		54,718	(4,811)	43,382	93,289
Loss for the year		-	-	(5,216)	(5,216)
Other comprehensive income	18b	-	553	-	553
Total comprehensive (Loss)/ Income for the year		-	553	(5,216)	(4,663)
Dividends/Distributions paid		-	-	(1,759)	(1,759)
Balance at 30 June 2020		54,718	(4,258)	36,407	86,867

	Note	Contributed equity \$'000	Cash flow hedge reserve \$'000	Retained earnings \$'000	Total equity \$'000
Consolidated					
Balance at 30 June 2020		54,718	(4,258)	36,407	86,867
Profit for the year		-	-	8,104	8,104
Other comprehensive income	18b	-	1,247	-	1,247
Total comprehensive Income for the year		-	1,247	8,104	9,351
Dividends paid		-	-	(3,472)	(3,472)
Balance at 30 June 2021		54,718	(3,011)	41,039	92,746

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 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts and Payments			
Receipts from customers		28,582	24,156
Payments to suppliers and employees		(16,457)	(14,638)
		12,035	9,518
Interest income		-	4
Interest payments		(2,725)	(2,773)
Income tax		(1,703)	(128)
Net cash flows from operating activities	20(b)	7,607	6,621
Cash flow from investing activities			
Payment for property, plant, equipment and assets under construction		(1,306)	(1,519)
Payment for construction of cold chain warehouse		(7,373)	(1,485)
Proceeds from sale of property, plant and equipment		-	19
Dividends received		165	154
Investment in Unlisted Securities		(535)	-
Net cash flows used in investing activities		(9,049)	(2,831)
Cash flow from financing activities			
Proceeds from borrowings		7,207	1,031
Repayment of borrowings		-	(131)
Dividend / Distribution paid	19	(3,472)	(3,258)
Net cash flow used in financing activities		3,735	(2,358)
Net increase in cash and cash equivalents		2,293	1,432
Cash and cash equivalents at the beginning of the year		7,357	5,925
Cash and cash equivalents at the end of the year	20(a)	9,650	7,357

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

The consolidated financial statements of Perth Markets Group Limited (PMGL) and its subsidiaries (Group) for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 24 August 2021.

PMGL is a public unlisted for-profit company limited by shares and incorporated and domiciled in Australia.

Further information on the nature of the operations and principal activities of the Group is provided in the Directors' report.

2. Significant accounting policies

2.1 Basis of preparation

The financial report is a general purpose financial report, which has 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 (AASB). These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standard Board (IASB).

This financial report has been prepared on a historical cost basis, except for investment properties, derivative financial instruments, debt and equity financial assets, and contingent consideration that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to recognise changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand (\$k), except when otherwise indicated under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and each of its wholly owned subsidiaries as at 30 June 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- » Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- » Exposure, or rights, to variable returns from its involvement with the investee
- » The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3 Summary of Significant Accounting Policies

(a) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- » Expected to be realised or intended to be sold or consumed in the normal operating cycle,
- » Held primarily for the purpose of trading,
- » Expected to be realised within twelve months after the reporting period, or
- » Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- » It is expected to be settled in the normal operating cycle
- » It is held primarily for the purpose of trading
- » It is due to be settled within twelve months after the reporting period, or
- » There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(b) Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- » In the principal market for the asset or liability, or
- » In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques (including the engagement of an independent and qualified valuer) that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

(c) Income Tax

CURRENT INCOME TAX

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

DEFERRED TAX

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- » When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- » In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(d) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- » When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable, or
- » When 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. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(e) Property, plant and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

(f) Investment properties

Investment properties (assets capable of generating lease income) are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property, the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(g) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset.

All other borrowing costs are expensed in the period in which they occur.

(h) Derivative financial instruments and hedge accounting

INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

The Group uses derivative financial instruments, such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- » Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment,
- » Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

FAIR VALUE HEDGES

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as other expense.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the Effective Interest Rate (EIR) method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

(i) 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.

(j) 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 trend 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.

(k) 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.

(l) 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.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Revaluation of investment properties and share investment

The Group carries its investment properties and share investment at fair value, with changes in fair value being recognised in the statement of profit or loss. For investment properties, a valuation methodology using a combination of methods including the Market Capitalisation Rate was used. The Group engaged an independent valuation specialist to assess the fair value as at 30 June 2021 for the investment properties. For share investment refer to Note 9(a)^(b).

4.

(a) Revenue	2021 \$'000	2020 \$'000
Rental revenue	13,599	13,103
Provision of services revenue	10,285	9,868
Weekend markets revenue	896	675
Total revenue	24,780	23,646

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

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.

Provision of services revenue and Weekend markets revenue

Revenue for services is recognised over time as those services are provided. These services are mainly variable outgoings, provision of electricity and waste transfer. Invoices for these services are issued on a monthly basis.

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.

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.

(b) Other income

	2021 \$'000	2020 \$'000
Interest revenue	-	19
Other revenue	655	562
Total other income	655	581

Interest revenue

Interest revenue is recognised as the interest is earned.

Other revenue

Other revenue includes dividend income from share investments, access cards and infrastructure recovery from tenants. It 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

	2021 \$'000	2020 \$'000
Information technology and telecommunications	197	211
Professional fees	288	566
Salaries and board fees (excl. contractors)	1,428	1,577
Legal fees	90	609
Land tax	722	1,043
Other	951	1,030
Total operational expenses	3,676	5,036

6. Commercial site management expense

	2021 \$'000	2020 \$'000
Rates and water consumption	2,806	2,327
Cleaning and waste removal	676	650
Electricity	3,203	3,343
Repairs and maintenance	775	570
Insurance	521	469
Staff costs	1,456	1,566
Other	524	496
Total commercial site management expenses	9,961	9,421

7. Income tax expense/(benefit)

	2021 \$'000	2020 \$'000
Current tax expense	2,095	1,259
Deferred tax expense/(benefit)	5,061	(833)
Under/(over) provision	51	(24)
Previously unrecognised deferred taxes	-	13,573
Total income tax expense/(benefit)	7,207	13,975

Numerical reconciliation of income tax expense to prima facie tax payable

Profit before income tax expense	15,311	8,759
Income tax at the Australian tax rate of 30% (2020-27.5%)	4,593	2,409
Unrecognised tax losses and other deferred tax assets	-	12,310
Tax effect amounts which are not deductible/(taxable)	(27)	(353)
Timing differences not previously recognised	2,589	(367)
Under/(over) provision	52	(24)
Total income tax expense/(benefit)	7,207	13,975

Amounts recognised directly in other comprehensive income

Deferred tax expense/(benefit) relating to change in the fair value of cash flow hedges	(1,173)	(1,419)
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Deferred tax assets and liabilities comprise temporary differences attributable to:

Investment properties	(17,738)	(12,213)
Deferred settlement consideration	(497)	(493)
Plant and equipment	(116)	(105)
Other	(57)	-
Total deferred tax liabilities	(18,408)	(12,811)

Deferred tax assets		
Interest rate swap	1,173	1,419
Plant and equipment	520	-
Other	213	197
Total deferred tax assets	1,906	1,616

Total deferred tax liabilities	(18,408)	(12,811)
Total deferred tax assets	1,906	1,616
Net deferred tax (liabilities)/assets	(16,502)	(11,195)

Franking credits available for use in subsequent financial years	417	117
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Judgements and Estimates

The Group had applied a 27.5% tax rate for the years ended 2019/20 and 2020/21 as the Group has an aggregated revenue threshold of less than \$50 million from aggregated turnover from ordinary income and the ordinary income of any connected or affiliate entity. The Group received a private ruling from ATO for the 2018/2019 financial year to confirm that Brisbane Markets Limited (BML), while holding 41.73% of PMGL, did not control PMGL and therefore the aggregation of revenue rule did not apply. The tax rate applied to income tax for Perth Markets Limited for the 2018/2019 year was 27.5%.

PMGL applied to the ATO for a private tax ruling for the 2019/2020 year on the same basis that BML does not control PMGL and therefore a tax rate of 27.5% can be applied by PMGL to its taxable income for the financial year.

In September 2020, the ATO advised that it had made a judgement error in providing its tax ruling for the 2018/2019 year and that the request for a private tax ruling for the 2019/2020 year in favour of PMGL at the tax rate of 27.5% was denied.

As a result of this ruling by the ATO, the tax liabilities of PMGL, including the deferred tax liability relating to the future tax payable arising from the increased Investment Property valuations, were restated at the applicable corporate tax rate of 30% as at 30 June 2021 by \$2.6 million.

8. Receivables

	2021 \$'000	2020 \$'000
Interest revenue	486	278
Total other income	486	278

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.

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.

9.

(a) Other financial assets

	2021 \$'000	2020 \$'000
Current		
Short-term investment deposits ^(a)	1,783	-
Total current	1,783	-
Non-current		
Share investment, fair value through profit or loss ^(b)	3,995	3,403
Total non-current	3,995	3,403

- (a) The Group transferred \$1,783k from the Security Deposit account to a 10-month term deposit with the Commonwealth Bank Limited in September 2020 with an interest rate of 0.85% p.a.
- (b) The Group holds a total of 1,089,922 shares (including 152,422 shares acquired in November 2020) in Brisbane Markets Limited (BML). The shares were fully paid as at 30 June 2021. They have been assessed to have a fair value of \$3.67/share based on the average sale price of BML shares traded for the last 6 months and the reported NTA of BML share at 31 December 2020. The valuation increase will result in the recognition of an unrealised gain through profit and loss to PMGL of \$57k for the year ended 30 June 2021 and a new carrying value of BML shares of \$3,995k.

(b) Other assets

	2021 \$'000	2020 \$'000
Current		
Prepayments	601	611
Inventories	61	49
Total current	662	660
Non-current		
Receipts from customer security deposits	134	1,605
Software capitalisation	16	16
Total non-current	150	1,621

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 be used to settle a liability for at least twelve months after the reporting date.

In September 2020, the Group transferred \$1,783k to a term deposit (Note 9a).

10. Property, plant and equipment

	2021 \$'000	2020 \$'000
Plant and equipment comprises:		
Fixed assets under construction	282	2,866
Property, plant and equipment at cost	7,013	6,149
Less: Accumulated depreciation	(2,138)	(1,697)
	5,157	7,318
Reconciliation:		
Carrying amount at start of year	7,318	5,166
Additions	7,453	2,575
Disposals/transfer to Investment Property	(9,173)	(20)
Depreciation	(441)	(403)
Carrying amount at end of year	5,157	7,318

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

Construction in progress

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.

11. Investment Properties

	Investment Property \$'000	Undeveloped Land \$'000	Total \$'000
Balance at 30 Jun 2020	155,387	17,000	172,387
Revaluation	7,130	310	7,440
Additions/Land development	10,483	(1,310)	9,173
Balance at 30 Jun 2021	173,000	16,000	189,000

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.

An independent valuation of the investment properties was completed as at 30 June 2021 by CBRE Valuations Pty Limited (CBRE), a qualified valuer with relevant experience in the type of property being valued.

12. Fair value measurements

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2020 Consolidated				
Assets				
Share investment	-	3,403	-	3,403
Investment properties	-	172,387	-	172,387
	-	175,790	-	175,790
Liabilities				
Derivative financial instruments	-	(5,676)	-	(5,676)
	-	(5,676)	-	(5,676)
2021 Consolidated				
Assets				
Share investment	-	3,995	-	3,995
Investment properties	-	189,000	-	189,000
	-	192,995	-	192,995
Liabilities				
Derivative financial instruments	-	(3,909)	-	(3,909)
	-	(3,909)	-	(3,909)

- » **Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded 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 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 as at 30 June 2021 by CBRE Valuations Pty Limited (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

	2021 \$'000	2020 \$'000
Current		
Accounts payable	775	714
Sundry creditors	457	887
Employee salaries payable	10	-
Interest payable	104	113
Net GST payable	387	216
Income tax payable	1,922	1,162
Corporate purchasing card	6	4
Total current payable	3,661	3,096

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.

14. Borrowings (Secured)

	2021 \$'000	2020 \$'000
Non-current		
Term loan (net of associated costs)	83,538	76,331
Total non-current	83,538	76,331

Terms and conditions relating to the secured loan

- The debt facility with the Commonwealth Bank Limited is \$87,400k and will expire on 1 October 2022. Interest rate risks associated with the liabilities are managed with interest rate swaps arrangements. As at 30 June 2021, the company had drawn \$83,538k of this \$87,400k facility.
- Loans are secured by a first registered mortgage over all current and future real property at the Perth Markets site and a general security interest over the assets and undertakings of the company. The carrying amount of the investment property at 30 June 2021 is \$189,000k.
- Under the terms of the loan facility, there is a requirement to report financial undertaking to the Commonwealth Bank Limited on a 6-monthly basis. These undertakings include:
 - The loan to value ratio (ratio of the total debt to the property value) is not greater than 55% on each calculation date,
 - The interest cover ratio (ratio between EBITDA to interest expenses) is not less than 2.0 times on each calculation date occurring prior to and including 30 June 2021.

All borrowings are initially recognised at cost, being the fair value of the net proceeds received. Subsequent measurement is at amortised cost using the EIR method.

At the balance date the Group has the following undrawn facilities with the Commonwealth Bank Limited:

- » Cash advance facility \$950k
- » Construction facility \$312k
- » Overdraft facility with a limit of \$2,000k
- » Asset Finance Leasing facility with a limit of \$500k

These facilities form part of an overall 3-year financing facility with Commonwealth Bank Limited.

Terms of the borrowings

The Group entered into a three-year, \$84,800k revolving cash advance facility with the Commonwealth Bank Limited on 17 July 2019. The facility is interest bearing at a floating rate of interest linked to BBSY and was secured by the assets of the Group. The Group has in place an Interest Rate hedge against the term borrowing. Information on the Group's management of interest rate risk is set out in note 23.

Reconciliation of borrowings arising from financing activities:

	NON-CASH CHANGES				2020 \$'000
	2019 \$'000	Cash flows \$'000	Addition \$'000	Fair value changes \$'000	
Hire purchase	131	(131)	-	-	-
Term loan (net of associated costs)	75,112	-	1,219	-	76,331
Total non-current	75,243	(131)	1,219	-	76,331

	NON-CASH CHANGES				2020 \$'000
	2019 \$'000	Cash flows \$'000	Addition \$'000	Fair value changes \$'000	
Term loan (net of associated costs)	76,331	-	7,207	-	83,538
Total non-current	76,331	-	7,207	-	83,538

15. Employee benefit obligations

	2021 \$'000	2020 \$'000
Current		
Annual leave	139	116
Total current	139	116
Non-current		
Long service leave	40	28
Total non-current	40	28

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.

Any annual leave that is not expected to be settled wholly within 12 months after the end of the reporting period 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.

16. Other Liabilities

	2021 \$'000	2020 \$'000
Current		
Deposit – magnetic access cards	77	80
Income in advance	1	-
Total current	78	80
Non-current		
Security deposits (Tenant leases)	1,928	1,605
Deferred settlement consideration	8,342	8,030
Derivative financial liabilities – Cash flow hedges	3,909	5,676
Total non-current	14,179	15,311

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 was initially recognised at its fair value and subsequently measured at amortised cost using the 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 2.3 (h). Refer to note 3 for information about the methods and assumptions used in determining the fair value of derivatives.

17. Related Party Disclosure

Parent Entity

Perth Markets Group 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 2.2.

	Principal place of business / Country of incorporation	2021 %	2020 %
Market City Operator Co Pty Ltd	Perth, Australia	100%	100%
Market City Asset Manager Co Pty Ltd	Perth, Australia	100%	100%
Perth Markets Limited	Perth, Australia	100%	100%

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 in this Group.

Shares

	2021 '000	% of Company	2020 '000	% of Company
Brisbane Markets Limited	24,552	41.73%	24,552	41.73%
United Crate Co-operative Ltd	9,985	16.97%	9,985	16.97%
South Australian Produce Markets Limited	7,610	12.93%	7,610	12.93%
Market West (The Chamber of Fruit & Vegetable Industries WA (Inc))	2,110	3.59%	2,110	3.59%
Oresusa Pty Ltd	1,205	2.05%	1,205	2.05%
Maria Ann Lendich	500	0.85%	500	0.85%
Miroslav Lendich	500	0.85%	500	0.85%
Lendich Superannuation Fund	238	0.40%	238	0.40%
Jonathan Michael Lendich	100	0.17%	100	0.17%
Nicole Louise Lendich	100	0.17%	100	0.17%
Rachel Samantha Lendich	100	0.17%	100	0.17%
Total	47,000	79.88%	47,000	79.88%

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:

	2021 \$'000		2020 \$'000	
	Charged by	Received from	Charged by	Received from
Brisbane Markets Limited ^(a, b)	5	-	26	-
Gidleigh Pty Ltd as Trustee for the Ledge Trust ^(a)	-	-	2	-
Market West ^(c, d)	167	77	172	79
Schirripa Evans Lawyers ^(a)	-	-	2	-
Smith Enterprises Pty Ltd ^(d)	-	-	-	65
Total	172	77	202	144

Director	Related entities
A. Young	Brisbane Markets Limited
M. Lendich	Miro Lendich family entities and United Crate Co-operative Ltd
P. Skinner	Market West (Chamber of Fruit & Vegetable Industries in Western Australia (Inc))
J. Ryan	Market West (Chamber of Fruit & Vegetable Industries in Western Australia (Inc))
S. Cole (resigned 26/7/21)	Gidleigh Pty Ltd as Trustee for the Ledge Trust
E. Smith (resigned 08/19)	Smith Enterprises Pty Ltd
D. Schirripa (resigned 10/19)	Schirripa Evans Lawyers

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:

- (a) Reimbursement for travel expenses for Board representation at Board meetings.
- (b) Subscription fee for online booking system.
- (c) Market price reporting (2021: \$66k; 2020: \$51k), Retailer of the Year (2021: \$39k, 2020: \$37k), contribution to the Perth Markets Ball (2021: \$26k; 2020: \$6k), acquisition of gas for forklift operations for the Waste Transfer Station (2021: \$10k; 2020: \$9k), Fresh TV Partnership (2021: \$8k, 2020: \$10k), Golf day (2021: \$6k, 2020: \$11k), Produce Executive Program (2021: \$6k, 2020: \$0k), Industry Market Subsidy (2021: \$0k, 2020: \$36k), contribution to the National Retailer Program (2021: \$0k, 2020: \$7k) and other (2021: \$6k, 2020: \$5k).
- (d) Rent and tenant outgoing expenses (2021: \$70k; 2020: \$127k), Utilities, waste disposal and other costs (2021: \$7k; 2020: \$17k).

18. Contributed Equity

(a) Issued Capital

	PMGL \$'000	Consolidated \$'000
Issued Shares		
Balance as at 30 June 2020 (Total shares: 58,840,131)	54,718	54,718
Balance as at 30 June 2021 (Total shares: 58,840,131)	54,718	54,718

Ordinary Shares

Ordinary shares have the right to receive dividends as declared, and in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and the amount paid up, on shares held. Ordinary shares entitle the holder to one vote, either in person or by proxy, at a meeting of the company.

Capital Management

The consolidated entity manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes borrowings disclosed in Note 14, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 18.

Management effectively manages the consolidated entity's capital by assessing the consolidated entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

(b) Reserves

	Retained earnings \$'000	Cash flow hedge reserve \$'000
Balance at 30 June 2019	43,382	(4,811)
Result for the year after tax	(5,216)	-
Movements in fair value of cash flow hedges	-	553
Distribution provided for the year	(1,759)	-
Balance at 30 June 2020	36,407	(4,258)
Result for the year after tax	8,104	-
Movements in fair value of cash flow hedges	-	1,247
Distribution provided for the year	(3,472)	-
Balance at 30 June 2021	41,039	(3,011)

19. Distributions / Dividends Paid

	\$'000
Jun 2019 Final Trust Distribution for 2018/19 at 3.3 cents per security paid Sep 2019	1,942
Sep 2019 Final Trust Distribution for 2019/20 at 0.4 cents per security paid Dec 2019	257
Dec 2019 Interim Dividend for 2019/20 at 1.8 cents per security paid Mar 2020	1,059
Total Distributions / Dividends paid during the financial year 2020	3,258
Jun 2020 Final Dividend of 2019/20 at 2.8 cents per security paid Nov 2020	1,648
Dec 2020 Interim Dividend for 2020/21 at 3.1 cents per security paid Mar 2021	1,824
Total Dividend paid during the financial year 2021	3,472

Dividends paid during the financial year are fully franked at the tax rate of 30.0c per share.

The franking account balance of PMGL is disclosed at Note 7.

Cash Dividend

The Company recognises a liability to pay a dividend when the dividend is authorised and the dividend is no longer at the discretion of the Company. As per the corporate laws of Australia, dividend is authorised when it is approved by the directors. A corresponding amount is recognised directly in equity.

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:

	2021 \$'000	2020 \$'000
Operating (*)	9,648	7,355
Cash Management	2	2
	9,650	7,357

(*) This includes a working capital overdraft facility. In 2021 the account had a balance of \$nil (2020: \$nil)

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

	2021 \$'000	2020 \$'000
Profit/(loss) after income tax for the period	8,104	(5,216)
Non-operating or non-cash items:		
Depreciation and amortisation expense	445	432
Revaluation of investments	(7,497)	(3,122)
Unwind of discounting in interest expense	312	301
(Increase)/decrease in assets:		
Receivables	92	71
Other assets	(1,785)	(167)
Deferred tax asset	7,207	13,975
Increase/(decrease) in liabilities:		
Payables	694	331
Provisions	35	16
Net cash provided by operating activities	7,607	6,621

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 include 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

Capital project commitments

	2021 \$'000	2020 \$'000
Payable not later than 1 year	-	6,834
	-	6,834

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:

	2021 \$'000	2020 \$'000
Financial Assets		
Cash and cash equivalents	9,650	7,357
Security deposits	1,928	1,605
Receivables	486	278
Other financial assets	-	-
Share investment (FVTPL)	3,995	3,403
Total financial assets	16,059	12,643
Financial Liabilities		
Trade payables	3,661	3,096
Borrowings	83,538	76,331
Deferred consideration	8,342	8,030
Derivative financial instruments	3,909	5,676
Security deposits	1,928	1,605
Total financial liabilities	101,378	94,738

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 ongoing 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 7 days are notified of their outstanding debt. If this is not paid within 14 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 (2020: \$nil)

2020	Carrying amount \$'000	Up to 3 months \$'000	3-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000	Total contractual cash flows \$'000
Non-derivatives							
Payables	3,096	3,096	-	-	-	-	3,096
Term borrowings	76,331	1,111	81,970	-	-	-	83,081
Deferred consideration *	8,030	-	-	-	-	10,000	10,000
Gross-settled Derivatives							
Interest rate swaps – inflow	-	(21)	(81)	(143)	(452)	(140)	(837)
Interest rate swaps – outflow	5,676	397	1,179	1,586	2,887	495	6,544
Total financial liabilities	93,133	4,583	83,068	1,443	2,435	10,355	101,884

2021	Carrying amount \$'000	Up to 3 months \$'000	3-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000	Total contractual cash flows \$'000
Non-derivatives							
Payables	3,661	3,661	-	-	-	-	3,661
Term borrowings	83,538	83,538	-	-	-	-	83,538
Deferred consideration *	8,342	-	-	-	10,000	-	10,000
Gross-settled Derivatives							
Interest rate swaps – inflow	-	(11)	(57)	(205)	(518)	(244)	(1,035)
Interest rate swaps – outflow	3,909	410	1,175	1,369	1,518	495	4,967
Total financial liabilities	99,450	87,598	1,118	1,164	11,000	251	101,131

* Deferred 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 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.

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 relates 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.

24. Remuneration of Key Management Personnel

	2021 \$	2020 \$
Base remuneration and superannuation	986,177	1,101,131
Annual leave and long service leave accruals	38,048	22,717
Other benefits	-	-
The total remuneration of key management personnel	1,024,225	1,123,847

25. Remuneration of auditor

Auditors of the Group – BDO Audit (WA) Pty Ltd and its related entities

	2021 \$	2020 \$
Audit and review of financial statements	52,676	60,751
Other assurance service (variable outgoing audit)	15,800	15,500
Other non-audit services		
Restructure advisory	783	99,581
Taxation compliance	36,293	35,227
Total Other non-audit services	37,076	134,808
Total remuneration of auditor	105,552	211,059

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important. The board of directors, in accordance with advice provided by the Audit Finance & Risk Committee (AFRC), is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons: APES110(290)

- (a) All non-audit services have been reviewed by the AFRC to ensure they do not impact the impartiality and objectivity of the auditor, and
- (b) None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

26. Parent Entity Note

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

	2021 \$'000	2020 \$'000
Current assets	202	342
Total assets	79,243	78,191
Current liabilities	2,526	(255)
Total liabilities	94,451	88,829
Net assets	(15,208)	(10,638)
Shareholders' equity		
Contributed equity	51,374	52,998
Reserves	(3,012)	(4,258)
Retained earnings	(63,570)	(59,378)
Total equity	(15,208)	(10,638)
Profit/(loss) and total comprehensive income for the year	(2,343)	(59,387)

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2021 (2020: nil).

Contractual commitments of the parent entity

The parent entity did not have any contractual commitments as at 30 June 2021 (2020: 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.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) The financial statements and notes 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 2021 and of its performance for the year ended on that date, and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.



CHAIR
Patricia Skinner

24th August 2021



NON-EXECUTIVE DIRECTOR
Richard Thomas

24th August 2021

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the members of Perth Markets Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Perth Markets Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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 Group 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 2021 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 (including Independence Standards)* (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

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 small BDO logo.

Neil Smith

Director

Perth, 24 August 2021

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible on behalf of the shareholders for the overall corporate governance of the company, including direction and oversight of the company's business and affairs.

Board composition

The Board comprises a material number of non-executive directors, including directors with independence of mind and decision making. The Board comprises Directors with a blend of skills, experience and attributes appropriate for the organisation, its strategies and its operations.

The Constitution of the Company states that unless otherwise determined by the Company in general meeting, the number of Directors is to be not less than three and not more than nine.

Market West as the Industry body (Chamber) has the right (but not obligation) to appoint up to two Directors for so long as the Chamber holds shares in PMGL.

The board of Directors must use its best endeavours to ensure that at materially all times, there are at least two Directors who satisfy the criteria set out in the Constitution to act as Independent Directors.

Role of Directors

The Board has leadership responsibility for the overall management and strategic direction of the Organisation and for delivering accountable organisational performance in accordance with the Organisation's goals and objectives. In performing its role, responsibilities reserved to the board include:

- » providing strategic direction to the Organisation and deciding upon the Organisation's strategies and objectives in conjunction with the CEO,
- » monitoring the strategic direction of the Organisation and the attainment of its strategies and objectives in conjunction with the executive,
- » monitoring the operational and financial position and performance of the Organisation generally,
- » establishing an appropriate corporate culture and assuring a prudential and ethical base to the Organisation's conduct and activities having regard to the relevant interests of its stakeholders,
- » assuring the principal risks faced by the Organisation are identified and overseeing that appropriate control and monitoring systems are in place to manage and mitigate these risks,
- » appointing and, where appropriate, removing the CEO, monitoring other executive appointments, and planning for executive succession,
- » approving the Organisation's budgets and business plans and monitoring major capital expenditures, acquisitions and divestitures, investments and capital management generally,
- » ensuring that the Organisation's financial results are appropriately and accurately reported on in a timely manner in accordance with regulatory requirements,
- » ensuring that the Organisation's affairs are conducted with prudential governance transparency and accountability, and
- » overseeing the design and implementation of appropriate and effective policies, processes and codes of conduct for the Organisation (including with respect to ethics, values, conduct, employment, remuneration, diversity and otherwise) as well as monitoring and reviewing those policies, processes and codes of conduct from time to time.

Frequency of meetings and attendance

Subject to the Constitution, the Board should meet at least 8 times per annum, and as often as is necessary to effectively and efficiently fulfil its functions and discharge its responsibilities.

Performance of Directors and Chief Executive Officer

The performance of the Board (as a whole), each Board Committee, Board members (individually) and each senior executive should be periodically reviewed, desirably annually or thereabouts and at other times as decided upon by the Board, against measurable and qualitative benchmarks as may reasonably be determined from time to time by the Board having regard to generally accepted governance standards.

Governance Disclosure

The Organisation commits to compliance with any regulatory mandated disclosure requirements and to maintaining a current copy of this Charter on its website.

Independent professional advice

Each Director has the right to seek independent professional advice at the company's cost, subject to the approval of the Chairman.

Committees of the Board

To assist in the execution of the Board's corporate governance responsibilities, the Board has established three committees with a non-executive Director as Chairman of each.

The Chairman has a standing invitation to attend any or all meetings of Board Committees.

Audit, Finance and Risk Committee

The key areas dealt with by the Audit, Finance and Risk Committee include:

- » The appointment and continuation of external auditors,
- » The adequacy of existing external audit arrangements, with particular emphasis on the scope and quality of the audit,
- » All areas of significant capital risk and the arrangements in place to contain those risk to acceptable levels,
- » The effectiveness of management information or other systems of internal control,
- » The application of accounting standards and policies to the company,
- » The financial statements of the company with both management and external auditors.

The Audit, Finance and Risk Committee comprises four Directors, being Richard Thomas (Chair), Steven Cole, Patricia Skinner and Andrew Young.

Nomination & Remuneration Committee

The key areas dealt with by the Remuneration Committee include:

Board Membership

- » Board and Board Committee membership, succession planning and performance including through the development and use of a board skills matrix (or like tool),
- » Board Committee terms of reference review and recommendations including with respect to appointment to Board Committees,
- » Development and implementation of a process for evaluation of Board, Committee and director performance,
- » Board member induction and professional development.

CEO and Senior Executives

- » Periodic review of the job description and performance of the CEO according to agreed performance parameters,
- » Plans for succession planning for the CEO position,
- » Involvement in complaints, grievance and disciplinary processes of senior executives.

Diversity

- » Diversity policy development, monitoring and review,
- » Development, monitoring and review of strategies and programs to promote diversity in the Group consistent with such diversity policy,
- » Monitoring the implementation by the Group of such diversity strategies and programs consistent with such diversity policy.

Generally

- » Reporting on these matters to the Board, with recommendations as appropriate,
- » The Committee has the authority to access information and to consult with and interview Group personnel and to consult independent professional advisers it considers appropriate to provide advice on matters within the scope of its remit.

The Nomination & Remuneration Committee comprises three Directors, being Steven Cole (Chair), Frank Romano and Andrew Young.

Master Planning Committee

The key areas of responsibility for the Master Planning Committee include:

- » Oversight and review of PMGL's Site Master Plan and ongoing development in accordance with the PMGL Strategic Plan and agreed risk appetite. This includes review and consideration of expansion opportunities and Associated Business Plans,
- » To review the development of the Site Master Plan developed by the PMGL Executive (and consultants) and recommend it to the Board for adoption,
- » Review progress against the Site Master Plan and report this progress to the PMGL Board through the Committee Chairperson or other agreed representative of the Committee,
- » Review management recommendations of the PMGL Executive and consultants for approval to the Board,
- » Review and assist the development of capital return benchmarks and alternatives of funding models and options,
- » Continued development and refinement of the PMGL Master Plan,
- » Review of agreed capital management of PMGL growth, operations, and balancing investor returns,
- » Review of alternative capital funding options and developing anticipated return guidelines,
- » Review of the engaging and directing of suitable external service providers to assist the PML with these objectives.

The Master Planning Committee comprises five Directors, being Frank Romano (Chair), Steven Cole, Andrew Young, Miro Lendich and James Ryan.

Ethical Standards

The company recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity.

All Directors and employees are expected to act in accordance with the law and with the highest standards of propriety.

CORPORATE DIRECTORY

Auditors and Independent Accountant

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Legal Services

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Bankers

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Security Registry

One Registry Services Pty Limited

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Sydney NSW 2000

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Share Trading

PMGL is an unlisted public company. A share transfer register has been created by PMGL that provides a facility whereby parties who wish to buy or sell shares can contact each other. It is up to the parties concerned to negotiate the price, prepare any documents required for the transaction, attend to the matters required to finalise any sale and or transfer and lodge the required documents with Perth Markets Group Ltd authorised share registry service.

The constitution of Perth Markets Group Ltd provides that its shareholders should be Australian residents and be an Exempt Investor. Please refer to section 708(8), 708(10) and 708(11) of the Corporations Act for guidance as to what is an Exempt Investor. Any sale of PMGL shares through private treaty must be approved by the Board of Directors and under Clause 6.6 of the companies constitution, the Directors of PMGL have the power to refuse to register a transfer of shares.

To register your interest in selling or buying shares in Perth Markets Group Ltd email pmgl@perthmarket.com.au.



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PERTH MARKETS