

# PERTH MARKETS LIMITED



## Annual Report

Year ended 30 June 2017

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## PERTH MARKETS LIMITED

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Year ended 30 June 2017

# Introduction

## Vision

Delivering shareholder value through serving the fresh produce industry.

## Background

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

The Market City Site, owned by Perth Markets Limited, is a diverse cluster of businesses involved in wholesale trading, food retailing, business service providers and weekend consumer markets. The site, as a whole, not only plays a critical role in fresh produce supply and makes a significant contribution to the State's economy but it impacts on local communities and families.

The Market City site is situated on 51 hectares of land in Canning Vale, 16km south of the CBD of Perth, WA and is the only Wholesale Fresh Produce Market in WA.

The site was acquired by Perth Markets Limited (PML) with ownership assumed on 31 March 2016, from the Western Australian Government under its asset sales program.

PML is an industry focused, unlisted public company with stapled securities holders who are predominantly horticulture value chain industry participants.

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

## Market City Information

- The total lettable building area is 86,841m<sup>2</sup> covered by over 170 leases and licenses.
- The site has 100% occupancy.
- The key buildings on the site are the Central Trading Area (CTA) and the related warehouses and undercover loading/unloading areas. The CTA building is the primary wholesale sales area on the site.
- A customer base of approximately 600 buyers regularly using the market including greengrocers, the major supermarkets, independent supermarkets and fresh produce suppliers, food service and catering businesses.
- A tenant base of 23 primary wholesalers, and over 80 secondary wholesalers, providers, distributors and food processing facilities.
- There are also national and local transport and storage companies, a meat processing facility and WA's only wet fish seafood auction located onsite.
- The Retail and Business Services Centre includes conference facilities, a Commercial Centre and a modern 7-day public food precinct. It also includes a standalone Tavern and a Service Station.
- Over 243,148 tonnes of fresh produce were traded over the year to 30 June 2016 by Market City wholesale tenants through the Central Trading Area (CTA) with a wholesale value of \$690M.
- Market City has a total of 2,640 car and truck parking bays and there are over 335 registered forklifts onsite.
- There are 17 high voltage electrical substations, and 2 points of external supply, which provide electricity to all tenants' premises on site via a network owned and operated by PML.
- For the year 30 June 2017, 24,064 MWh of electricity was used along with 55,690 kL of water being consumed.
- PML provides a 6 MW standby power station which is capable of powering the site in the event of a major power outage.
- A Waste Transfer Facility operated by PML, where (2,433t) of waste was processed during the past year. Of this total, 44% of the waste was diverted from landfill through recycling and reuse.
- There are two Weekend Public Markets; the Saturday Clearance Market and Sunday Community Market. For 2017, an average of 1,359 vehicles per week visited the Saturday Clearance Markets and an average of 391 stalls being booked each week with an average weekly attendance of 4,681 people for the Sunday Community Market.

## PERTH MARKETS LIMITED





# Key Financial Highlights

For the period ended 30 June 2017

## Consolidated Operating Profit Highlights:

• Revenue	\$22.574M
• Operating Profit	\$7.607M
• Gain on revaluation of Investment property	\$22.784M
• Profit after income tax	\$26.6M

**Total Assets** \$162.267M

## Net Tangible Assets

As per 30 June 2017 financial statements for the consolidated Perth Markets Limited Group

• Net Tangible Assets	\$76.365M
• Number of stapled security	58,840,131
• NTA per stapled security	\$1.30

## Borrowing Facilities

To assist the purchase, the PML group entered into a \$75.3M four year revolving cash advance facility with the National Australia Bank Limited which remains fully drawn.

The PML group also has an undrawn revolving \$2M overdraft facility with the National Australia Bank Limited.

Note: PML is required to pay an additional \$10M (undiscounted) in approximately nine years to the previous owner.

## Investment Property Valuation

The group holds investment property at fair value. The property portfolio was revalued at 31 December 2016 with land and building valued at \$150M (June 2016: \$127M). This resulted in a gain to the Statement of Profit or Loss and Other Comprehensive Income for the year of \$22.784M.

## Distributions

- No dividends were paid by PML during the period ended 30 June 2017.
- There have been three distributions paid from the Perth Markets Land Trust to stapled security holders during the period ended 30 June 2017.
- A distribution of \$129,812.04 was paid on the 30 September 2016.
- A discretionary distribution of \$0.025 per security being a further \$1,471,003.28 was paid on 30 September 2016.
- A discretionary distribution of \$0.034 per security being a further \$2,000,564.44 was paid on 31 March 2017.
- This gives a total distribution of \$3,601,379.76 paid to 30 June 2017.





## Chairman's Highlights

As recently appointed Board Chair of Perth Markets Limited (PML) it is my pleasure to present PML's annual report for 2016/2017.

PML is the outcome of an industry based and supported bid to secure the Market City site and operations upon its privatisation from Government control in early 2016.

Typically, the 12-24 months following a privatisation is a period of consolidation, refinement of strategic direction and implementation of systems and processes to deliver ongoing sustainable performance for the benefit of the organisation and its stakeholders.

Financial and performance highlights for the year in question are addressed in the CEO's Report. Suffice to say though that the decision for PML to proceed with the acquisition was timely given the significant uplift in site valuation over 2016/2017 which supported a distribution to stapled security holders of \$3,601,380 paid in the year to 30 June 2017.

Since taking office in May 2017 I have been impressed by the sincerity and endeavour of the Board and management team for PML to be the leading provider of fresh produce market infrastructure and related services in Western Australia. In particular, the Board and senior management are addressing how best to position PML to maintain and grow its current dominant position as well as addressing the challenges of technological and market disruptive influences that are impacting generally across the nation and around the globe.

Relevantly the Board and management team are giving particular focus to PML's strategic outlook, risk management, corporate performance, shareholder value delivery, stakeholder interests and assured governance systems and processes.

From a personnel perspective, over 2016/2017 PML farewelled from the Board: Paul Omodei (inaugural independent Chair), Gaye McMath (independent director and chair of finance and audit committee) and Andrea Lemmon (independent director), and from management: David Timmel (transitional CEO) and Scott Logan (transitional CFO). It also welcomed to the PML team: Stephen Ward (as CEO), Paul Campbell (as CFO and Company Secretary), and myself as Board Chair.

On behalf of PML and the Board I thank those departing team members for their valuable service over the initial transitional period from government ownership.

I am also pleased to report that PML is well advanced in the development of:

- its strategic plan for the next five year period, and looks forward to sharing key aspects of that plan with its security holders by the AGM;
- the Market City's development planning for the currently undeveloped "triangle" block, and over the next 12 months looks forward to consulting extensively with its stakeholder base as it develops and refines the overall Market City Master Plan to guide the development and optimisation of Market City as a whole over decades to come.

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



**Steven Cole**  
*Chairman*



## CEO's Message

This year was the first full year of operations of the Perth Markets Limited Group (PML) following the successful transition from government ownership of the Market City Site, as at 31 March 2016, and the three months operation to 30 June 2016.

### Financial Performance

The financial result to the 30 June 2017 confirm the positive operating results for the first full financial year following purchase of the Market City site and business.

The consolidated operating profit after finance expense and income tax of the group for the 2016/2017 financial year was \$26.6M. This includes a gain on revaluation of investment properties of \$22.784M following revaluation of the property portfolio as at 31 December 2016 with land and buildings valued at \$150M (June 2016: \$127M).

The "underlying" operating profit for the period was \$7.607M from total revenue of \$22.574M of which \$12.044M was rental revenue. This financial performance enabled a total distribution of \$3.601M to be paid to investors prior to 30 June 2017 with a further \$2,000,564 recommended to be paid on 30 September 2017.

The key revenue activities of PML being Rental (\$12.044M), provision of Services (\$8.846M) and Weekend Markets (\$1.118M) have continued to remain stable.

As at 30 June 2017, the site was effectively 100% occupied with a weighted average lease expiry (WALE) of 3.06 years.

### Site Operations

The safety of all site users remains our highest priority. Site rules have been implemented and warnings issued where applicable. Our focus is on education of site users to ensure safe practices and cooperation with Work Safe, tenants and site users. We have undertaken a continued training regime for the Site Safety and Compliance Officers to ensure they are able to assist to maintain a safe and efficient site. We have also recruited a new Operations Manager and additional staff to assist with adequate coverage of the site.

### Facilities

The facilities team have continued to focus on effective management of the site services provided to tenants (eg. cleaning, road sweeping), maintenance and minor capital works. The onsite waste disposal facility operated by PML has been reviewed with a number of operations and staffing changes made to improve efficiency.

### Property Management

The transitional management work around leases and property management processes has been almost completed. This includes the conversion of leases into a registrable, new format following the sale from the State Government. We have continued the provision of services such as assignment of leases, new leases and ongoing tenant enquiry management.



The success of Market City as the centre for wholesale fruit and vegetables in WA is demonstrated by Perth Markets Limited successfully maintaining the site at an effective 100% occupancy.

A review of processes, including rent reviews, valuations and standard documentation has commenced and has included cooperative discussion with the tenant representative body Market West.

### **Corporate Services – Finance**

We have successfully completed the first full year transition to a public company structure including AGM, first full year reporting, and company secretarial. This involved the transition and creation of the new accounting structure, systems, processes and procedures including a substantial policy revision and creation to ensure appropriate governance practice to the operation of the business.

As part of the review of operations, a view is that the group would be better suited to a Corporate Structure that does not include the current two Trusts. Work on a final recommendation to the PML Board is well advanced with a revised structure expected to be formalised prior to 31 December 2017.

### **Industry Support and Engagement**

We are continuing our strong relationship with Market West, the representative group for the wholesale and other tenants.

PML has continued funding to Market West to assist with the running of the Great Green Grocer campaign, an industry based strategy to support independent fruit and vegetable retailers in WA. Additionally, PML provide funding for the daily price reporting provided by Market West.

### **Future Activities**

The new five year+ strategic plan which has been developed with the assistance of an external facilitator, highlights the objectives, strategies and tactics that PML are putting into action.

The key site planning activity already undertaken has been the completion of a Master Plan for the SE Development Triangle (vacant land at the rear of the site) in preparation for a new warehouse construction. A new whole of site master plan commenced with the appointment of an external consultant that will assess longer term development options for the whole of site.

### **Summary**

I thank all staff and board members for their support and efforts during the first full year of our operations. I am looking forward to continued operational improvement in the year to come.



**Stephen Ward**  
CEO

# Industry Support

## Great GreenGrocer

The Great GreenGrocer is an exciting initiative managed by Market West, with the support of Perth Markets Limited. The key objectives for this campaign include elevating consumer knowledge of fresh produce and seasonality, providing independent retailers the opportunity to position their fresh produce against the national chains, establish a long-term communications platform and harnessing the power of independent greengrocers by uniting them with a single voice.

## Price Reporting

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

## Weekly Market Report

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

## Host Industry Events and Site Tours

Perth Markets provides access to industry training services and professional service providers for product testing, inspection and certification. They also continue to conduct tours of the wholesale markets for overseas delegations, industry participants and students to build relationships with industry groups and support fruit and vegetable retailers through the Retailer of the Year awards.





## Community Support

### Foodbank

Perth Markets Limited are community partners with Foodbank WA. Foodbank is by far the largest food relief organisation in Australia, and with one in six people experiencing food insecurity in the past 12 months, the work Foodbank does is more important than ever. Last year alone they provided enough food for 60 million meals. In Western Australia, Foodbank supports over 53,000 people every month.

Foodbank is a non-denominational, non-profit organisation which acts as a pantry to the charities who feed the hungry, and is also the largest provider of nutrition education and healthy eating programs in WA. Foodbank is a conduit between the food industry's surplus food and the welfare sector's need. Perth Markets Limited provides facilities to assist Market City tenants to supply surplus food to Foodbank for people in need.

Perth Markets also supports the Foodbank WA School Breakfast Program that benefits the community by providing a nutritious breakfast for high risk students and communities in Western Australia. The Program, the largest of its kind, recently celebrated its 15th birthday.

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

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

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

The program has grown from 17 schools in 2001 to over 430 schools feeding over 17,000 children every week across metropolitan, rural and remote Western Australia.

Perth Markets Limited are proud to be involved with Foodbank and support those in need in WA.

### PERTH MARKETS LIMITED



# Directors' Report

## Directors' Report

Your directors present their report on the consolidated entity consisting of Perth Markets Limited and the entities it controlled at the end of, or during, the period ended 30 June 2017, referred to throughout this report as the 'Group'.

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

## Directors and Company Secretary

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

S. Cole	(Chairman)	<i>Appointed 22/05/2017</i>
P. Skinner		<i>Appointed 7/10/2015</i>
E. Smith		<i>Appointed 7/10/2015</i>
D. Schirripa		<i>Appointed 26/02/2016</i>
F. Romano		<i>Appointed 12/04/2016</i>
M. Lendich		<i>Appointed 26/02/2016</i>
A. Young		<i>Appointed 20/10/2015</i>
P. Omodei		Appointed 7/10/2015 and Resigned 14/11/2016
G. McMath		Appointed 10/05/2016 and Resigned 15/11/2016
A. Lemmon		Appointed 26/02/2016 and Resigned 31/03/2017

R. McPherson was company secretary from 30 September 2015 to 8 September 2016.

S. Logan was company secretary from 8 September 2016 to 10 February 2017.

P. Campbell was appointed company secretary on 27 February 2017.

## Principal Activities

On 31 March 2016, Perth Markets Limited (PML) acquired the business and assets of Market City, WA's primary trading center for fruit and vegetable. Perth Markets stapled entity (Perth Markets Land Trust and Perth Markets Limited) won a bid to purchase Market City from the state government after being named the preferred bidder for the Canning Vale site in December 2015. The acquisition was effected through the acquisition of 100% interest in Market City Operator Co Pty Ltd by Perth Markets Limited and the Market City Asset Trust by Perth Markets Land Trust.

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

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

### **Dividends and Distributions**

No dividends were paid during the period ended 30 June 2017. Distributions from the Perth Markets Land Trust to stapled security holders of \$3,601,380 were paid during the financial year. A further discretionary distribution was approved by the Board and is to be recommended to the Trustee as detailed at note 30.

### **Review of Results of Operations**

The consolidated operating profit after financial expenses and income tax of the Group for the year ended 30 June 2017 amounted to \$26.6M. This includes a gain on revaluation of investment property of \$22.7M referred to below.

The Group holds investment property at fair value. The property portfolio was revalued at 31 December 2016 with land and buildings valued at \$150M, (June 2016: \$127M) resulting in a gain to the statement of Profit or Loss and Other Comprehensive Income for the half year of \$22.7M.

The Board has recommended to the Trustee a Distribution of \$2,000,564 be paid for the half year to 30 June 2017 which is to be paid on 30 September 2017.

### **Significant Changes in the State of Affairs**

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

### **Events Since the End of the Financial Year**

A subsequent further discretionary Distribution of \$2,000,564, being 3.4c per stapled security, has been recommended by the Board to the Trustee for payment on 30 September 2017.

### **Likely Developments and Expected Results of Operations**

The Group will continue to operate the Market City business, with a full year of operations with no significant impact or change on the Group's financial performance.

# Information on Directors

## S. Cole Independent Non-Executive Chair

### 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 an general industry perspective Mr Cole is currently a board member 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.

## P. Skinner

### Experience and expertise

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

## E. Smith

### Experience and expertise

- Vice President of Market West.
- Involved in the fruit and vegetable industry for more than 30 years.
- Director of Smiths Enterprises, a successful and well-respected fruit and vegetable wholesaler in Market City for nearly 40 years.

## D. Schirripa

### Experience and expertise

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

## PERTH MARKETS LIMITED



#### F. Romano

##### Experience and expertise

- 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 Packer Pty Ltd, which specialises in snacks, nuts, cereal and confectionery, and Packaging Pty Ltd, a confectionery manufacture and packing business based out of Melbourne.
- Other investments include sandalwood plantations, vineyards, and various commercial, retail, and residential property/ property development interests.

#### M. Lendich

##### 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.

#### A. Young

##### Experience and expertise

- Current Chief Executive Officer of Brisbane Markets Limited, the industry industry-owned 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.
- Extensive managerial experience with tertiary qualifications in agricultural science, accounting and corporate management.
- Detailed knowledge of the operations of the fresh produce industry, central markets and property development experience.

### Meetings of Directors

The number of meetings of the Company's board of directors held during the period ended 30 June 2016, and the number of meetings attended by each director were:

	No. of meetings	No. attended
P. Omodei	7	7
S. Cole	1	1
P. Skinner	18	18
E. Smith	18	17
D. Schirripa	18	18
F. Romano	18	18
G. McMath	8	8
M. Lendich	18	18
A. Young	18	18
A. Lemmon	14	12

### Meeting of Finance and Audit Committee Members

The number of meetings of the committee held during the period ended 30 June 2017, and the number of meetings attended by each member were:

	No. of meetings	No. attended
G. McMath	2	2
P. Omodei	2	2
P. Skinner	2	2
A. Young	2	2
M. Lendich	2	2
A. Lemmon	2	2

### Meeting of Legal and Compliance Committee Members

The number of meetings of the committee held during the period ended 30 June 2017, and the number of meetings attended by each member were:

	No. of meetings	No. attended
D. Schirripa	2	2
A. Lemmon	2	2

### Meeting of Remuneration Committee Members

The number of meetings of the committee held during the period ended 30 June 2017, and the number of meetings attended by each member were:

	No. of meetings	No. attended
A. Young	1	1
D. Schirripa	1	0
F. Romano	1	1

### Meeting of OHS Committee Members

The number of meetings of the committee held during the period ended 30 June 2017, and the number of meetings attended by each member were:

	No. of meetings	No. attended
T. Skinner	9	9
R. Smith	9	8

### Meeting of Capital Management and Site Development Committee Members

The number of meetings of the committee held during the period ended 30 June 2017, and the number of meetings attended by each member were:

	No. of meetings	No. attended
F. McMath	1	1
F. Romano	5	5
A. Young	4	4
M. Lendich	4	4



### Environmental Regulation

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

### Insurance of Officers

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 page 19

### Rounding of Amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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



Chair



Director



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

As lead auditor of Perth Markets Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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

**Neil Smith**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 22 August 2017

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

**PERTH MARKETS LIMITED**

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Year ended 30 June 2017

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017 (2016 comparatives reflect a 3 month period)

	Note	2017	2016
		\$'000	\$'000
<b>REVENUE</b>	<b>5</b>	<b>22,574</b>	<b>5,764</b>
<b>Operating expenses</b>			
Weekend markets expenses		(462)	(159)
Operational expenses	6	(5,842)	(1,071)
Commercial site management expenses	7	(8,293)	(1,964)
Depreciation and amortisation expense		(370)	(117)
<b>Operating profit</b>		<b>7,607</b>	<b>2,453</b>
Gain on revaluation of investment properties	12	22,784	-
Finance expense		(3,137)	(725)
Acquisition related costs	27	(624)	(2,145)
<b>Profit/(loss) before income tax</b>		<b>26,630</b>	<b>(417)</b>
Income tax (expense) / benefit	8	(30)	6
<b>Profit/(loss) after income tax for the year</b>		<b>26,600</b>	<b>(411)</b>
<b>Other comprehensive income</b>			
Items not reclassified subsequently to profit or loss:			
Changes in the fair value of cash flow hedges	19	2,401	(3,343)
<b>Total other comprehensive income/(loss)</b>		<b>2,401</b>	<b>(3,343)</b>
<b>Total comprehensive profit/(loss) for the Year</b>		<b>29,001</b>	<b>(3,754)</b>

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

# Consolidated Statement of Financial Position

As at 30 June 2017

	Note	2017	2016
		\$'000	\$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	21	4,516	3,530
Receivables	9	508	1,168
Other assets	10	521	964
<b>Total Current Assets</b>		<b>5,545</b>	<b>5,662</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	11	5,052	5,336
Investment property	12	150,012	127,029
Deferred tax asset	8	91	-
Other assets	10	1,567	1,509
<b>Total Non-Current Assets</b>		<b>156,722</b>	<b>133,874</b>
<b>TOTAL ASSETS</b>		<b>162,267</b>	<b>139,536</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	14	1,368	2,444
Provisions	16	68	11
Other current liabilities	17	89	114
<b>Total Current Liabilities</b>		<b>1,525</b>	<b>2,569</b>
<b>Non-Current Liabilities</b>			
Borrowings	15	74,686	74,354
Provisions	16	22	28
Other non-current liabilities	17	9,669	11,745
<b>Total Non-Current Liabilities</b>		<b>84,377</b>	<b>86,127</b>
<b>TOTAL LIABILITIES</b>		<b>85,902</b>	<b>88,696</b>
<b>NET ASSETS</b>		<b>76,365</b>	<b>50,840</b>

PERTH MARKETS LIMITED

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Year ended 30 June 2017



# Consolidated Statement of Financial Position Cont'd

As at 30 June 2017

EQUITY	Note	2017	2016
Contributed equity	19	54,718	54,724
Reserves	19	(942)	(3,343)
Accumulated profit/(losses)	19	22,589	(541)
<b>TOTAL EQUITY</b>		<b>76,365</b>	<b>50,840</b>

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

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2017 (2016 comparatives reflect a 3 month period)

	Note	Contributed Equity	Cash flow hedge reserve	Accumulated Losses	Total equity
<b>Consolidated</b>		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Balance at inception</b>	27	-	-	-	-
Loss for the period		-	-	(411)	(411)
Other comprehensive loss		-	(3,343)	-	(3,343)
<b>Total comprehensive loss for the year</b>			<b>(3,343)</b>	<b>(411)</b>	<b>(3,754)</b>
Contributions of equity, net of transaction costs		54,724	-	-	54,724
Distributions to unit holders		-	-	(130)	(130)
<b>Balance at 30 June 2016</b>		<b>54,724</b>	<b>(3,343)</b>	<b>(541)</b>	<b>50,840</b>

	Note	Contributed Equity	Cash flow hedge reserve	Accumulated (losses)/profit	Total equity
<b>Consolidated</b>		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Balance at 30 June 2016</b>		<b>54,724</b>	<b>(3,343)</b>	<b>(541)</b>	<b>50,840</b>
Profit for the year		-	-	26,600	26,600
Other comprehensive Income		-	2,401	-	2,401
<b>Total comprehensive profit for the year</b>			<b>2,401</b>	<b>26,600</b>	<b>29,001</b>
Contributions of equity, net of transaction costs		(6)	-	-	(6)
Distributions to unit holders		-	-	(3,470)	(3,470)
<b>Balance at 30 June 2017</b>		<b>54,718</b>	<b>(942)</b>	<b>22,589</b>	<b>76,365</b>

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

PERTH MARKETS LIMITED

www.perthmarket.com.au

Year ended 30 June 2017

# Consolidated Statement of Cash Flows

For the year ended 30 June 2017 (2016 comparatives reflect a 3 month period)

	Note	2017	2016
		\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Receipts from customers		23,518	6,222
Payments to suppliers and employees		(15,434)	(3,654)
		8,084	2,568
Interest income		60	223
Interest payments		(2,612)	(10)
Acquisition related costs	27	(624)	(2,145)
Income tax		(23)	-
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		<b>4,885</b>	<b>636</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for property, plant and equipment		(285)	(154)
Payment for acquisition of subsidiary, net of cash acquired	27	-	(126,030)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(285)</b>	<b>(126,184)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		-	74,354
Repayment of borrowings		(12)	-
Proceeds from issue of shares and other equity instruments		-	55,650
Share issue costs		-	(926)
Distribution paid		(3,602)	-
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>		<b>(3,614)</b>	<b>129,078</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>986</b>	<b>3,530</b>
Cash and cash equivalents at the beginning of the year		3,530	-
<b>CASH AND CASH EQUIVALENT ASSETS AT THE END OF PERIOD</b>	<b>21(a)</b>	<b>4,516</b>	<b>3,530</b>

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

# Notes to the Financial Statements

*For the year ended 30 June 2017*

## 1 Notes to the Financial Statements General

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

These financial statements have been prepared as an aggregation of the financial statements of the PML and its controlled entities and Perth Markets Land Trust ('PMLT') and its controlled entities. The combined entity (hereafter referred to as the Group) was formed through the stapling of securities in PML and PMLT, which cannot be traded separately. The financial statements have been aggregated in recognition of this stapling. PML has been deemed to be the parent entity of the Group as its management are responsible for the Group's operations.

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

### Early Adoption of Standards

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

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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

## 2 Summary of Significant Accounting Policies

### (a) General statement

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Perth Markets Limited is a for-profit entity for the purpose of preparing the financial statements. Perth Markets Limited is the Group's Ultimate Parent Company. Perth Markets Limited is a public company incorporated and domiciled in Australia. The consolidated financial statements for the year ending on 30 June 2017 were approved and authorised for issue by the Board of Directors on 21 August 2017.

# Notes to the Financial Statements

## (b) Basis of preparation

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

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

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

Note 3 'Critical accounting estimates and assumptions' discloses key assumptions made concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## (c) Principles of consolidation

Subsidiaries are those entities (including stapled entities) over which the consolidated entity has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## (d) Income

### *Revenue recognition*

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

#### Provision of services revenue

Revenue is recognised on delivery of the service to the tenants or by reference to the stage of completion of the transaction.

#### Interest revenue

Revenue is recognised as the interest accrues.

#### Rental revenue

Rental revenue from investment properties is recognised on a straight-line basis over the lease term. 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.

## PERTH MARKETS LIMITED

# Notes to the Financial Statements

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

## **(e) Borrowing costs**

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

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

## **(f) 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	4 to 15 years
Office equipment	5 to 10 years



# Notes to the Financial Statements

## (g) Investment properties

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

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.

## (h) Fair value measurement

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

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

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

## (i) Impairment of assets

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

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

# Notes to the Financial Statements

## (j) Leases

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

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

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

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

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

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

## (k) Financial instruments

The Group has the following categories of financial instrument:

- Financial Assets
  - Cash and cash equivalents (and restricted cash and cash equivalents)
  - Receivables
- Financial Liabilities
  - Payables
  - Borrowings
  - Deferred consideration
  - Derivative liabilities
  - Security deposits

Initial recognition and measurement of financial instruments is at fair value.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

Borrowings are initially measured at fair value, less any directly attributable transaction costs. They are subsequent measured at amortised cost using the effective interest method.

# Notes to the Financial Statements

## **(l) Derivatives**

The Group uses derivative financial instruments including interest rate swaps to hedge its financial risks, including those associated with interest rate fluctuations. Such derivative financial instruments are carried at fair value. For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss.

### *Hedge Accounting*

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; cash flow hedges where they hedge exposure to variability in cash flows; or hedges of a net investment in a foreign operation.

### *Initial recognition*

At the beginning of a hedge relationship, the Group designates and documents the hedge relationship and the related risk management objective and strategy. The documentation identifies the hedging instrument and the hedged item as well as describing the economic relationship, the hedge ratio between them and potential sources of ineffectiveness. The documentation also includes the nature of the risk being hedged and the method of assessing the hedging instrument's effectiveness. To achieve hedge accounting, the relationship must be expected to be highly effective and are assessed on an ongoing basis to determine that they continue to meet the risk management objective.

### *Discontinuation*

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the year.

Gains or losses recognised directly in equity are reclassified into profit and loss in the same period or periods the foreign currency risk affects consolidated profit and loss.

### *Cash flow hedges*

In relation to cash flow hedges (such as the Group's interest rate swaps) to hedge firm commitments, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the statement of profit or loss and other comprehensive income.

When the hedged item gives rise to the recognition of an asset or a liability, the associated deferred gains or losses are included in the initial measurement of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same period in which the hedged firm commitment affects the income statement.

## **(m) 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.

# Notes to the Financial Statements

## (n) Accrued salaries

Accrued salaries when applicable (refer to note 14 'Payables') represent the amount due to staff but unpaid at the end of the financial year, as the pay date for the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Group considers the carrying amount of accrued salaries to be equivalent to its net fair value.

## (o) 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 allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Group will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

## (p) Payables

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.

## (q) Borrowings

All loans payable are initially recognised at cost, being the fair value of the net proceeds received.

Subsequent measurement is at amortised cost using the effective interest rate method.

## (r) 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.

### *Provisions - employee benefits*

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

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

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

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

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

# Notes to the Financial Statements

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.

## *Sick leave*

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

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

## *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.

## *Provisions – other*

### 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 'Provisions' note 16.

## **(s) Income tax**

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

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

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



# Notes to the Financial Statements

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

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

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

## **(t) Goods and Services Tax ('GST') and other similar taxes**

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

## **(u) Business combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred

# Notes to the Financial Statements

## (v) Contributed Equity

### *Stapled securities*

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

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

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

## 3 Judgments Made by Management in Applying Accounting Policies

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

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

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

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

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

# Notes to the Financial Statements

## 4 New Accounting Standards and Interpretations

### New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods. These standards and interpretations have not been early adopted.

- AASB 9 Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2018). AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. PML expects that AASB 9 will have no material impact on the way the Group accounts for its currently held financial instruments.
- AASB 15 Revenue from Contracts with Customers (effective for annual reporting periods beginning on or after 1 January 2018). AASB 15 introduces a new framework for accounting for revenue and will replace AASB 118 Revenue and AASB 111 Construction Contracts. The new standard is based on the principle that revenue is recognised when control over goods and services transfers to a customer, therefore the notion of control replaces the existing notion of risks and rewards. Management is continuing to assess the impact of the new standard on PML's financial statements.
- AASB 16 Leases (effective for annual reporting periods beginning on or after 1 January 2019). AASB 16 introduces a new framework for accounting for leases and will replace AASB 117 Leases. The new standard will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. Management is continuing to assess the impact of the new standard on PML's financial statements.

### 5 Revenue (2016 comparatives reflect a 3 month period)

	2017	2016
	\$'000	\$'000
Weekend markets revenue	1,118	337
Rental revenue	12,044	3,046
Provision of services revenue	8,846	2,031
Interest revenue	60	223
Other revenue	506	127
<b>Total revenue</b>	<b>22,574</b>	<b>5,764</b>

## 6 Operational Expenses (2016 comparatives reflect a 3 month period)

	2017	2016
	\$'000	\$'000
Information technology and telecommunications	249	76
Repairs and maintenance	77	142
Professional fees	924	149
Insurance	11	48
Travel expenses	67	26
Salaries and board fees	1,316	401
Advertising and promotions	116	2
Legal fees	357	119
Land tax	2,114	-
Contract staff	202	-
Other	409	108
<b>Total operational expenses</b>	<b>5,842</b>	<b>1,071</b>

## 7 Commercial Site Management Expense (2016 comparatives reflect a 3 month period)

	2017	2016
	\$'000	\$'000
Rates and water consumption	1,266	255
Air conditioning/ventilation	47	20
Cleaning and waste removal	807	243
Electricity	3,108	680
Fire protection	154	42
Pest control	56	12
Repairs and maintenance	503	121
Insurance	366	91
Contract security staff	283	113
Staff costs	1,432	336
Other	187	10
Gardening	64	14
Legal	20	27
<b>Total commercial site management expenses</b>	<b>8,293</b>	<b>1,964</b>

## 8 Income Tax Expense / (benefit)

	2017	2016
	\$'000	\$'000
<b>Current tax expense</b>		
Current tax expense/(benefit)	91	(6)
Deferred tax expense	(91)	-
Under/over provision	30	-
<b>Total income tax expense/(benefit)</b>	<b>30</b>	<b>(6)</b>

<b>Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit/(loss) before income tax expense/(benefit)	26,630	(417)
Income tax at the Australian tax rate of 30%	7,989	(125)
Unrecognised tax losses and other deferred tax assets	-	119
Tax effect amounts which are not deductible/(taxable)	(7,904)	-
Timing differences not previously recognised	(85)	-
Under/over provision	30	-
<b>Total income tax expense / (benefit)</b>	<b>30</b>	<b>(6)</b>

	2017	2016
	\$'000	\$'000
<u>Deferred tax asset</u>		
Other	91	-
<b>Total deferred tax asset</b>	<b>91</b>	<b>-</b>

## 9 Receivables

	2017	2016
	\$'000	\$'000
<u>Current</u>		
Receivables	508	1,168
<b>Total current</b>	<b>508</b>	<b>1,168</b>

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.



## 10 Other Assets

	2017	2016
	\$'000	\$'000
<u>Current</u>		
Prepayment	517	621
Net GST receivable / (Payable)	-	343
Inventories	4	-
<b>Total current</b>	<b>521</b>	<b>964</b>
<u>Non-current</u>		
Receipts from customer security deposits <sup>1</sup>	1,566	1,509
Software capitalisation	1	-
<b>Total non- current</b>	<b>1,567</b>	<b>1,509</b>

<sup>1</sup> 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 17.

## 11 Property, Plant and Equipment

	2017	2016
<b>Plant and equipment comprises:</b>	<b>\$'000</b>	<b>\$'000</b>
Property, plant and equipment at cost	5,539	5,453
Less: Accumulated depreciation	(487)	(117)
	<b>5,052</b>	<b>5,336</b>

<b>Plant, equipment and vehicles</b>	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Carrying amount at start of year	5,336	-
Acquired as part of business combination	-	5,305
Additions	86	148
Depreciation	(370)	(117)
<b>Carrying amount at end of year</b>	<b>5,052</b>	<b>5,336</b>

## 12 Investment Properties

	Land	Buildings	Total
2016	\$'000	\$'000	\$'000
Carrying amount at start of year	-	-	-
Acquired as part of business combination	88,274	38,748	127,022
Additions	-	7	7
<b>Fair value at end of year (note 13)</b>	<b>88,274</b>	<b>38,755</b>	<b>127,029</b>

	Land	Buildings	Total
2017	\$'000	\$'000	\$'000
Carrying amount at start of year	88,274	38,755	127,029
Revaluation	13,726	9,058	22,784
Additions	-	199	199
<b>Fair value at end of year (note 13)</b>	<b>102,000</b>	<b>48,012</b>	<b>150,012</b>

## 13 Fair Value Measurements

	Level 1	Level 2	Level 3	Fair Value
				At end of period
2016 Consolidated	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>				
Investment properties	-	127,029	-	127,029
	-	127,029	-	127,029

<b>LIABILITIES</b>				
Derivative financial instruments	-	(3,343)	-	(3,343)
	-	(3,343)	-	(3,343)

	Level 1	Level 2	Level 3	Fair Value
2017 Consolidated	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>				
Investment properties	-	150,012	-	150,012
	-	150,012	-	150,012

<b>LIABILITIES</b>				
Derivative financial instruments	-	(942)	-	(942)
	-	(942)	-	(942)

## PERTH MARKETS LIMITED

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 flow associated with the asset are discounted using a discount rate that reflects the cost of capital risk and required return. They are derived from market based information, such as rental yields or interest rate forward curves. An independent valuation of the investment properties was completed during the financial year by CBRE, a qualified valuer with relevant experience in the type of property being valued.

#### 14 Payables

<b>Current</b>	<b>2017</b>	<b>2016</b>
	\$'000	\$'000
Accounts payables	556	176
Sundry creditors	269	1,041
Employee salaries payable	13	134
Interest payable	27	649
GST payables	399	315
Income tax payable/(receivable)	91	(6)
Corporate purchasing card	13	5
Distribution payable	-	130
<b>Total current</b>	<b>1,368</b>	<b>2,444</b>

#### 15 Borrowings

<b>Non-current</b>	<b>2017</b>	<b>2016</b>
	\$'000	\$'000
Hire Purchase	76	88
Term loan (net of associated costs)	74,610	74,266
<b>Total non-current</b>	<b>74,686</b>	<b>74,354</b>

#### Term loan

The group entered into a four year, \$75,300,000 revolving cash advance facility with the National Australia Bank Limited on 28 March 2016. The facility is interest bearing at a floating rate of interest linked to BBSY and is secured by the assets of the group. Information on the group's management of interest rate risk is set out in note 24. No covenants applied for this financial period, however they will apply in future years.

## 16 Provisions

<b>Current</b>	<b>2017</b>	<b>2016</b>
	\$'000	\$'000
Employee benefits provision		
Annual leave	68	11
<b>Total current</b>	<b>68</b>	<b>11</b>

<b>Non-current</b>	<b>2017</b>	<b>2016</b>
	\$'000	\$'000
Employee benefits provision		
Long service leave	22	28
<b>Total current</b>	<b>22</b>	<b>28</b>

## 17 Other Liabilities

<b>Current</b>	<b>2017</b>	<b>2016</b>
	\$'000	\$'000
Deposit – magnetic cards	84	94
Retentions	-	20
Income in advance	5	-
<b>Total current</b>	<b>89</b>	<b>114</b>

<b>Non-current</b>	<b>2017</b>	<b>2016</b>
	\$'000	\$'000
Security deposits	1,566	1,509
Deferred settlement consideration (note 27)	7,161	6,893
Derivative financial liabilities	942	3,343
<b>Total non-current</b>	<b>9,669</b>	<b>11,745</b>

## 18 Related Party Disclosure

### Parent Entity

Perth Markets Limited

### Subsidiaries

Interests in subsidiaries are set out below:

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiary in accordance with the accounting policy described in note 2(c).

## PERTH MARKETS LIMITED

	Principal place of business / Country of incorporation	2017 %	2016 %
Market City Operator Co Pty Ltd	Perth, Australia	100%	100%
Market City Asset Manager Co Pty Ltd	Perth, Australia	100%	100%
Perth Markets Land Trust (PMLT)	Perth, Australia	-	-
Market City Asset Trust	Perth, Australia	-	-

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

#### *Key management personnel compensation*

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

The aggregate compensation made to directors and other members of key management personnel of the Group is set out in note 25.

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

	Consolidated Shares and Units		Parent Shares	
	Number ('000)	\$'000	Number ('000)	\$'000
Brisbane Markets Limited	49,103	24,552	24,552	982
United Crate Co-operative Ltd	19,970	9,985	9,985	399
South Adelaide Produce Markets Limited	15,219	7,610	7,610	304
Market West (The Chamber of Fruit & Vegetable Industries WA (Inc))	3,871	1,335	1,935	341
Oresusa Pty Ltd	2,190	1,095	1,095	44
Maria Ann Lendich	1,000	500	500	20
Miroslav Lendich	1,000	500	500	20
Jonathan Michael Lendich	200	100	100	4
Nicole Louise Lendich	200	100	100	4
Rachel Samantha Lendich	200	100	100	4
ME & D Schirripa Super fund Pty Ltd < ME & D Schirripa Superannuation Fund>	438	219	219	9
E & T Smith Superannuation Fund Pty Ltd	500	150	250	54
P.D. and R.M. Omodei Pty Ltd < P.D. & R.M Omodei Family Trust	220	110	110	4
<b>Total</b>	<b>94,111</b>	<b>46,356</b>	<b>47,056</b>	<b>2,189</b>

#### **PERTH MARKETS LIMITED**

### 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 and amounted to:

	2017	2016
Brisbane Markets Limited <sup>(a)</sup>	15	5
P.D. and R.M. Omodei Pty Ltd < P.D. & R.M Omodei Family Trust <sup>(d)</sup>	11	10
Rural Funds Management Ltd <sup>(a)</sup>	8	2
Market West <sup>(b)</sup>	116	803
Smith Enterprises Pty Ltd <sup>(c)</sup>	356	88
Miroslav Lendich <sup>(e)</sup>	1	-
Schirripa Evans Lawyers <sup>(e)</sup>	5	-
<b>Total current</b>	<b>512</b>	<b>908</b>

#### Director

A. Young  
A. Lemmon  
P. Omodei  
P. Skinner  
E. Smith  
D. Schirripa  
M. Lendich  
F. Romano  
S. Cole

#### Related entities

Brisbane Markets Limited  
Rural Funds Management Ltd  
P.D. and R.M. Omodei Pty Ltd < P.D. & R.M Omodei Family Trust  
Market West (Chamber of Fruit & Vegetable Industries in Western Australia (Inc))  
Smith Enterprises Pty Ltd  
Schirripa Evans Lawyers  
Miroslav Lendich family entities and United Crate Co-operative Ltd  
Oresusa Pty Ltd  
-

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 25. These amounts are the total value of any amount receivable or payable from or to the related party

- (a) These relate to the reimbursement for travel expenses for Board representation at Board meetings.
- (b) These relate to acquisition of gas for forklift operations, for the Waste Transfer Facility (\$7,883), contribution to the 2017 Market West Ball (\$11,000). Market price reporting (\$50,755), Rental income, Utilities and other costs (\$40,695).
- (c) These relate to rent and tenant outgoing expenses (\$336,042), Utilities and waste disposal (\$20,069).
- (d) Includes P.D and R.M. Omodei Pty Ltd < P.D. & R.M Omodei Family Trust travel reimbursement expenses (\$11,000)
- (e) These relate to travel reimbursement expenses.

### PERTH MARKETS LIMITED



## 19 Contributed Equity

### Issued Capital

	PML \$'000	PMLT \$'000	Consolidated \$'000
<b>Stapled Securities</b>			
Balance at incorporation	-	-	-
3,633,631 Fully paid stapled issued shares @ \$0.333	1,210	-	1,210
3,633,631 Fully paid stapled issued units @ \$0.00	-	-	-
55,206,500 Fully paid stapled issued shares @ \$0.04	2,209	-	2,209
55,206,500 Fully paid stapled issued units @ \$0.96	-	52,998	52,998
Less costs associated with the capital raises	(68)	(1,625)	(1,693)
<b>Balance at 30 June 2016</b>	<b>3,351</b>	<b>51,373</b>	<b>54,724</b>

	PML \$'000	PMLT \$'000	Consolidated \$'000
<b>Stapled Securities</b>			
Balance at 30 June 2016	3,351	51,373	54,724
Less costs associated with the capital raises	(6)	-	(6)
<b>Balance at 30 June 2017</b>	<b>3,345</b>	<b>51,373</b>	<b>54,718</b>

### Stapled Shares

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

### Reserves

	Accumulated profit/(losses) \$'000	Cash flow hedge reserve \$'000
Balance at inception	-	-
Result for the period after tax	(411)	-
Movements in fair value of cash flow hedges	-	(3,343)
Distribution payable for the year	(130)	-
<b>Balance at 30 June 2016</b>	<b>(541)</b>	<b>(3,343)</b>

	Accumulated profit/(losses) \$'000	Cash flow hedge reserve \$'000
Balance at 30 June 2016	(541)	(3,343)
Result for the year after tax	26,600	-
Movements in fair value of cash flow hedges	-	2,401
Distribution paid for the year	(3,470)	-
<b>Balance at 30 June 2017</b>	<b>22,589</b>	<b>(942)</b>

## 20 Distributions

June 2016 Distribution of 2015/16 at 0.22 cents per security paid September 2016	130
Total Distributions Declared for 30 June 2016	130
September 2016 Final Distribution of 2015/16 at 2.5 cents per security paid September 2016	1,470
December 2016 Interim Distribution of 2016/17 at 3.4 cents per security paid March 2017	2,000
Total Distributions Declared for 30 June 2017	3,470
Total Distributions Paid for 30 June 2017	3,600

A subsequent further discretionary distribution of \$0.034 per security totalling \$2,000,564.45 was recommended by the Board to be paid.

## 21 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:

	2017	2016
Operating (a)	4,514	2,681
Cash Management	2	849
	<b>4,516</b>	<b>3,530</b>

(a) This includes a working capital overdraft facility. In 2017 the account had a balance of \$nil (2016:\$46,000 overdrawn)

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

	2017 \$'000	2016 \$'000
Profit/(loss) after income tax for the period	26,600	(411)
<u>Non-operating or non-cash items:</u>		
Depreciation and amortisation expense	714	117
Revaluation of investment properties	(22,784)	-
<u>Unwind of discounting in interest expense</u>	268	65
(Increase)/decrease in assets:		
Receivables	660	115
<u>Other assets</u>	443	(908)
Deferred tax asset	(91)	-
Increase/(decrease) in liabilities:		
Payables	(976)	1,633
Provisions	51	25
<b>Net cash provided by operating activities</b>	<b>4,885</b>	<b>636</b>

**22 Commitments****Contractual & Operating Lease commitments**

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

	2017 \$'000	2016 \$'000
Within 1 year	40	54
Later than 1 year and not later than 5 years	104	143
Later than 5 years	-	-
	<b>144</b>	<b>197</b>
Representing:		
Non-cancellable contractual & operating leases	144	197
	<b>144</b>	<b>197</b>

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

	2017 \$'000	2016 \$'000
Within 1 year	16	16
Later than 1 year and not later than 5 years	70	84
Later than 5 years	-	-
	<b>86</b>	<b>100</b>

## 23 Contingent Liabilities

In addition to the liabilities included in the financial statements, there are the following contingent liabilities:

### *Contaminated sites*

Under the Contaminated Sites Act 2003, the Group is required to report known and suspected contaminated sites to the Department of Environment and Conservation (DEC). In accordance with the Act, DEC classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as contaminated – remediation required or possibly contaminated – investigation required, the Group may have a liability in respect of investigation or remediation expenses.

There have been no suspected contaminated sites reported to the DEC.

## 24 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:

	2017 \$'000	2016 \$'000
<b>Financial Assets</b>		
Cash and cash equivalents	6,082	5,039
Receivables	508	1,168
<b>Total financial assets</b>	<b>6,590</b>	<b>6,207</b>

<b>Financial Liabilities</b>		
Trade payables	1,368	2,314
Borrowings	74,686	74,354
Deferred consideration	7,161	6,893
Derivative financial instruments	942	3,343
Security deposits	1,566	1,509
<b>Total financial liabilities</b>	<b>85,723</b>	<b>88,413</b>

### (a) Financial risk management objectives and policies

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

### Credit risk

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

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

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

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

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

The allowance for impairment of financial assets is calculated based on objective evidence, such as past experience, and current and expected observable data indicating changes in client credit ratings. At balance 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 \$2million overdraft facility of which \$nil was utilised at balance date (2016: \$46,000).

		Contractual maturities					
	Carrying amount	Up to 3 months	3-12 months	1-2 years	2-5 years	More than 5 years	Total contractual cash flows
2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Non-derivatives</u>							
Payables	2,314	2,314	-	-	-	-	2,314
Hire purchase agreements	88	4	8	12	69	-	93
Term borrowings	74,266	652	1,957	2,609	79,866	-	85,084
Deferred consideration	6,893	-	-	-	-	10,000	10,000
<u>Gross-settled Derivatives</u>							
Interest rate swaps - inflow	3,343	(376)	(1,127)	(1,502)	(3,943)	(3,643)	(10,591)
Interest rate swaps - outflow		451	1,352	1,802	5,104	5,707	14,416
	86,904	3,045	2,190	2,921	81,096	12,064	101,316

		Contractual maturities					
	Carrying amount	Up to 3 months	3-12 months	1-2 years	2-5 years	More than 5 years	Total contractual cash flows
2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Non-derivatives</u>							
Payables	1,114	1,114	-	-	-	-	1,114
Hire purchase agreements	76	4	8	12	57	-	81
Term borrowings	74,609	652	1,957	2,609	77,257	-	82,475
Deferred consideration	7,161	-	-	-	-	10,000	10,000
<u>Gross-settled Derivatives</u>							
Interest rate swaps - inflow	942	(376)	(1,127)	(1,502)	(3,493)	(2,591)	(9,089)
Interest rate swaps - outflow		451	1,352	1,802	4,861	4,147	12,613
	<b>83,902</b>	<b>1,845</b>	<b>2,190</b>	<b>2,921</b>	<b>78,682</b>	<b>11,556</b>	<b>97,194</b>

#### Market risk

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

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

The risk has been managed through the use of an interest rate swap which covers the entire principal of the loan for its duration. The Group has therefore an immaterial current exposure to interest rate risk in the income statement, principally through interest earned on its cash reserves amounting to \$60,000 (2016: \$223,000). A 100 basis point movement in interest rates would have impacted interest revenue in the income statement by \$6,000 (2016: \$50,000).

## **25 Remuneration of Key Management Personnel**

### *Remuneration of key management personnel*

	2017 \$	2016 \$
Base remuneration and superannuation	1,180,746	322,996
Annual leave and long service leave accruals	-	-
Other benefits	-	-
<b>The total remuneration of key management personnel</b>	<b>1,180,746</b>	<b>322,996</b>

## 26 Remuneration of Auditor

Remuneration payable to the BDO Audit (WA) Pty Ltd for the financial year is as follows:

	2017 \$	2016 \$
Audit and review of the financial statements	67,000	30,000
Other services - taxation & advisory	36,114	-
	<b>103,114</b>	<b>30,000</b>

## 27 Business Combinations

### Acquisitions

There were no business acquisitions during the year ended 30 June 2017.

On 31 March 2016 Perth Markets Limited acquired the business and assets of Market City, WA's primary trading center for fruit and vegetable. Perth Markets stapled entity (Perth Markets Land Trust and Perth Markets Limited) won a bid to purchase Market City from the state government after being named the preferred bidder for the Canning Vale site in December 2015. The acquisition was effected through the acquisition of 100% interest in Market City Operator Co Pty Ltd by Perth Markets Limited and the Market City Asset Trust by Perth Markets Land Trust.

Details of the net assets acquired and purchase considerations are as follows:

	Value apportioned to Market City Operator Co \$'000	Value apportioned to Market City Asset Trust \$'000	2016 Total \$'000
Land	-	88,274	88,274
Fittings	-	38,748	38,748
Plant	5,306	-	5,306
Accounts receivable	1,283	-	1,283
Prepayments and other assets	56	-	56
Accounts payable	(263)	-	(263)
Accruals and other creditors	(546)	-	(546)
	<b>5,836</b>	<b>127,022</b>	<b>132,858</b>

Purchase consideration comprises:

2016	Total \$'000
Upfront consideration	125,500
Settlement of Working capital acquired	530
Cash paid in the year	126,030
Deferred consideration	6,828
	<b>132,858</b>

## PERTH MARKETS LIMITED



### Acquisition related costs

Legal fees, advisory costs, stamp duties and other acquisition related costs of \$624,000 (2016:\$2,145,000) have been included in other expenses in profit and loss.

### Deferred consideration

Perth Markets Limited is required to pay the previous owners of Market City an additional consideration of \$10,000,000 (undiscounted) in March 2026. The fair value of the deferred consideration is \$7,161,099 (2016: \$6,892,963), discounted at a market rate of interest of 3.89%. The unwinding for financial year 2017 amounted to \$268,136.

## 28 PMLT Consolidated Group

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

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

### Statement of profit or loss and other comprehensive income

	2017	2016
Revenue	11,002	2,555
<b>OPERATING EXPENSES</b>		
Operational expenses	(785)	(121)
Commercial site management expenses	(2,981)	(169)
<b>OPERATING PROFIT</b>	<b>7,236</b>	<b>2,265</b>
Finance expense	(3,121)	(714)
Acquisition related costs	(545)	(1,847)
Gain on revaluation of investment	22,784	-
<b>Profit / (loss) before income tax expense / (benefit)</b>	<b>26,354</b>	<b>(296)</b>
Income tax expense / (benefit)	-	-
<b>PROFIT/(LOSS) AFTER INCOME TAX FOR THE YEAR</b>	<b>26,354</b>	<b>(296)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Changes in fair value of cash flow hedges	2,401	(3,343)
<b>Total other comprehensive income</b>	<b>2,401</b>	<b>(3,343)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b>28,755</b>	<b>(3,639)</b>

## Balance Sheet

	2017	2016
	\$'000	\$'000
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	1,692	809
Receivables	1	-
Other Assets	139	297
<b>Total Current Assets</b>	<b>1,832</b>	<b>1,106</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	150,012	127,029
Intercompany loan	4,131	5,127
<b>Total Non-Current Assets</b>	<b>154,143</b>	<b>132,156</b>
<b>TOTAL ASSETS</b>	<b>155,975</b>	<b>133,262</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	373	1,156
<b>Total Current Liabilities</b>	<b>373</b>	<b>1,156</b>
<b>Non-Current Liabilities</b>		
Borrowings	74,610	74,266
Other non-current liabilities	8,103	10,236
<b>Total Non-Current Liabilities</b>	<b>82,713</b>	<b>84,502</b>
<b>TOTAL LIABILITIES</b>	<b>83,086</b>	<b>85,658</b>
<b>NET ASSETS</b>	<b>72,889</b>	<b>47,604</b>
<b>EQUITY</b>		
Contributed equity	51,373	51,373
Reserve	(942)	(3,343)
Retained earnings	22,458	(426)
<b>TOTAL EQUITY</b>	<b>72,889</b>	<b>47,604</b>

### Statement of changes in equity

	Contributed Equity	Cash flow hedge	Retained Earnings	Total equity
Consolidated	\$'000	\$'000	\$'000	\$'000
<b>Balance at inception</b>	-	-	-	-
Profit / (loss)	-	-	(296)	(296)
Other comprehensive income	-	(3,343)	-	(3,343)
Total comprehensive income for the year	-	(3,343)	(296)	(3,639)
Transactions with owners in their capacity as owners	-	-	-	-
Contributions of equity, net of transaction costs	51,373	-	-	51,373
Distributions to unit holders	-	-	(130)	(130)
<b>Balance at 30 June 2016</b>	<b>51,373</b>	<b>(3,343)</b>	<b>(426)</b>	<b>47,604</b>

	Contributed Equity	Cash flow hedge	Retained Earnings	Total equity
Consolidated	\$'000	\$'000	\$'000	\$'000
<b>Balance at 30 June 2016</b>	<b>51,373</b>	<b>(3,343)</b>	<b>(426)</b>	<b>47,604</b>
Profit / (loss)	-	-	26,354	26,354
Other comprehensive income	-	2,401	-	2,401
Total comprehensive income for the year	-	2,401	26,354	28,755
Transactions with owners in their capacity as owners	-	-	-	-
Contributions of equity, net of transaction costs	-	-	-	-
Distributions to unit holders	-	-	(3,470)	(3,470)
<b>Balance at 30 June 2017</b>	<b>51,373</b>	<b>(942)</b>	<b>22,458</b>	<b>72,889</b>

## 29 Parent Entity Note

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

	2017 \$'000	2016 \$'000
<b>Statement of financial position</b>		
Current assets	322	586
Total assets	4,864	6,099
Current liabilities	(343)	(239)
Total liabilities	(2,238)	(2,998)
Contributed equity	3,344	3,351
Retained earnings	(718)	(250)
Total equity	2,626	3,101
<b>Profit/(loss) for the period</b>	<b>(468)</b>	<b>(250)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>(468)</b>	<b>(250)</b>

### Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2017 (2016: nil).

### Contractual commitments of the parent entity

The parent entity did not have any contractual commitments as at 30 June 2017 (2016: 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.

## 30 Events Occurring After the End of the Reporting Period

A subsequent further discretionary distribution of \$0.034 per security totalling \$2,000,564.45 was approved by the Board as a recommendation for the Trustee to be paid in addition to the distributions provided for in the Financial Statements.

# Directors' Declaration

## In the directors' opinion:

(a) the financial statements and notes set out on pages 20 to 53 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 2017 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.

Note 2 (a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Chair/Director

22 August 2017



Director

22 August 2017



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PO Box 700 West Perth WA 6872  
Australia

## INDEPENDENT AUDITOR'S REPORT

To the members of Perth Markets Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Perth Markets Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

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

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

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

#### Other information

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

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

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

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

## PERTH MARKETS LIMITED

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

Year ended 30 June 2017



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

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

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

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

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

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

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

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

This description forms part of our auditor's report.

**BDO Audit (WA) Pty Ltd**

A handwritten signature in blue ink, appearing to read 'Neil Smith', is written over a faint, larger 'BDO' logo.

**Neil Smith**

**Director**

Perth, 22 August 2017



## Board Members



**Steven Cole**  
*Chairman*



**Trish Skinner**  
*Deputy Chair*



**Frank Romano**  
*Director*



**Andrew Young**  
*Director*



**Miro Lendich**  
*Director*

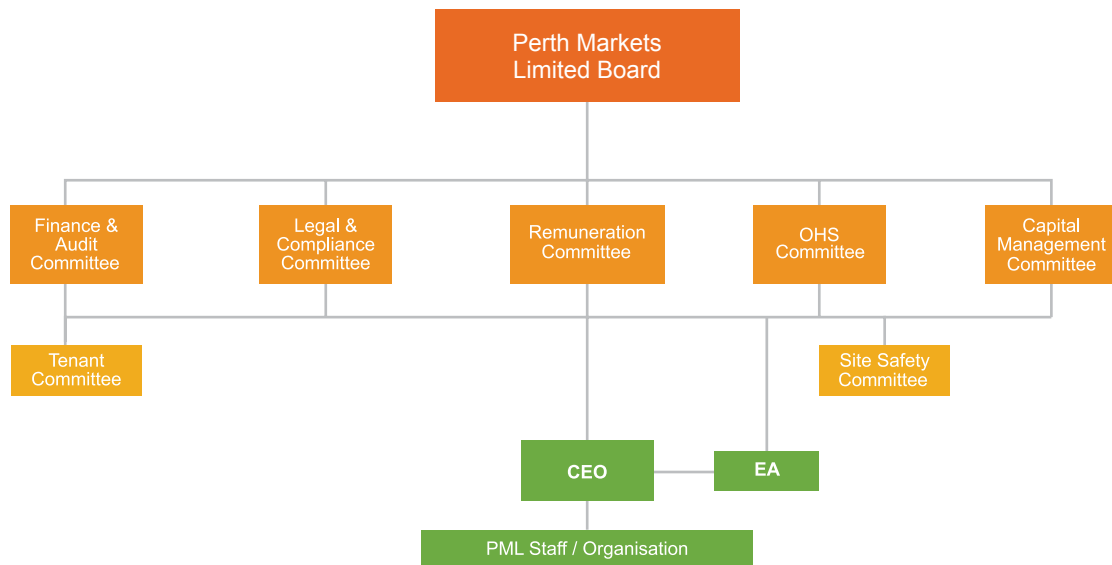


**Rick Smith**  
*Director*

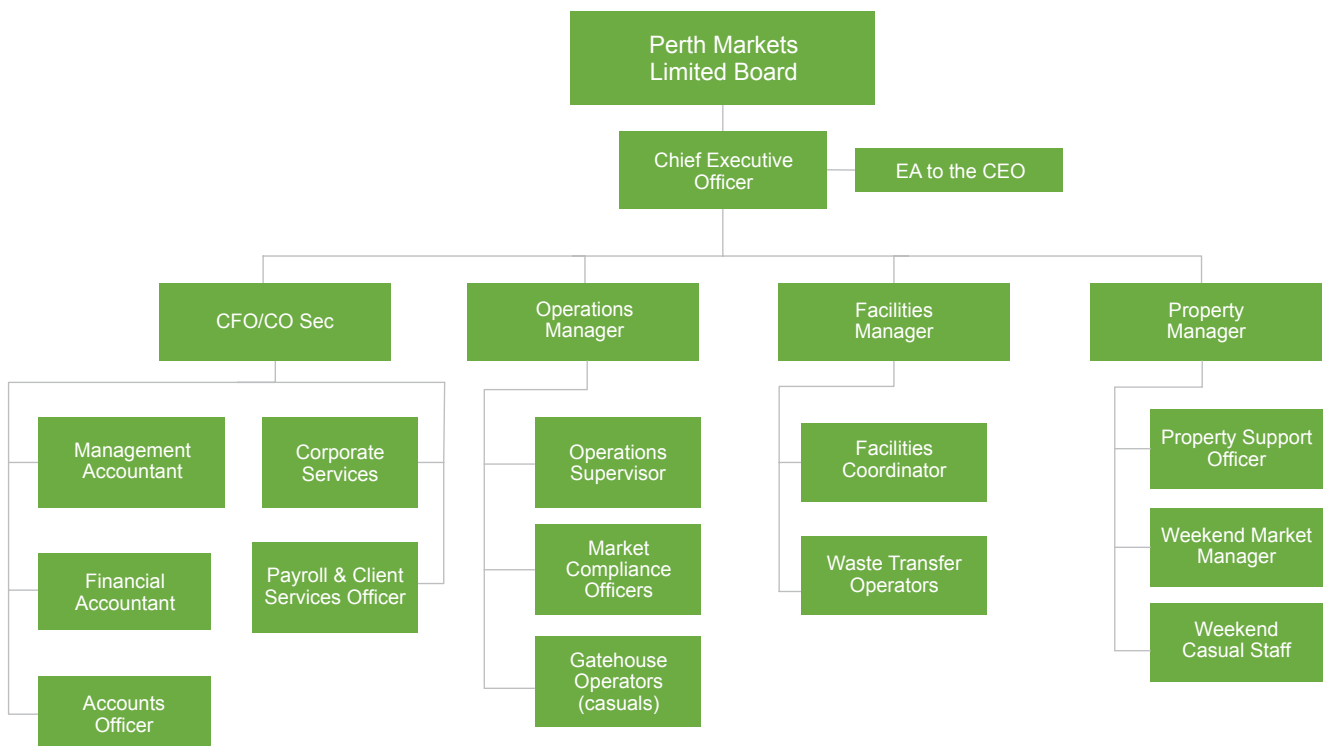


**David Schirripa**  
*Director*

## Board Structure



## Management Structure



## Top 5 PML Shareholders

Brisbane Markets Limited	24,551,501	41.73%
United Crate Co-operative Limited	9,985,191	16.97%
South Australian Produce Markets Limited	7,609,686	12.93%
The Chamber of Fruit and Vegetable Industries WA (Inc)	1,935,400	3.29%
Shane & Jannet Patching	1,360,300	2.31%

### Corporate Directory

#### Auditors and Independent Accountant

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 AUSTRALIA  
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 Fax +61 8 6382 4601  
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#### Legal Services

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

#### Bankers

National Australia Bank Limited  
 UB 13.01 100 St Georges Terrace, Perth WA 6000  
 Tel: +61 8 9441 9320  
[www.nab.com.au](http://www.nab.com.au)

#### Communications

McIntyre Management & Marketing  
 Suite 19, 18 Stirling Highway  
 Nedlands, WA 6009  
 Tel: + 61 8 9386 9155

#### Security Registry

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

### PERTH MARKETS LIMITED

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

Year ended 30 June 2017

