PERTH MARKETS GROUP LIMITED

ABN 25 633 346 184

INTERIM REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Directors' Report

Your directors present their report on the consolidated entity consisting of Perth Markets Group Limited (PMG) and the entities it controlled at the end of, or during, the half-year ended 31 December 2020, referred to throughout this report as the 'Group'.

Information about the Directors and Officers

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

Name	Role	Date Appointed	Date Resigned
DIRECTORS			
Steven Cole	Independent Non-Executive Chairman	22 May 2017	-
Patricia Skinner	Non-Executive Director	7 October 2015	-
Andrew Young	Non-Executive Director	20 October 2015	-
Miro Lendich	Non-Executive Director	26 February 2016	-
Frank Romano	Non-Executive Director	12 April 2016	-
Richard Thomas	Non-Executive Director	14 September 2018	-
James Ryan	Non-Executive Director	1 November 2019	-
Tony Ceravolo	Non-Executive Director	1 February 2020	-
OFFICERS			
Rebecca Moore	Chief Executive Officer	2 August 2019	-
Mark Lindsay	Company Secretary / CFO	5 May 2020	-

Principal Activities

During the half year, the principal continuing activities of the consolidated entity consisted of the management and development of the Perth Markets Site and providing a marketing and distribution hub for fresh produce supply to the State of Western Australia.

The Perth Markets Site is home to a diverse cluster of businesses involved in wholesale trading, food retailing, business service providers and weekend consumer markets.

The Perth Markets Site was acquired on 31 March 2016 from the State Government and is WA's primary trading centre for fruit and vegetables.

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

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

Operating Results

The net operating profit/(loss) of the consolidated entity after income tax for the half-year ended 31 December 2020 was $3,869k, 31 December 2019: ($10,409k).

	2020 $'000	2019 $'000	% change
PMG Operating Profit	**5,264**	**4,171**	**26%**
Gain on revaluation of investment properties	5,581	3,000	86%
Finance expenses	(1,396)	(1,450)	(4%)
Acquisition related costs	(158)	(275)	(43%)
Net Profit before income tax	**9,291**	**5,446**	**71%**
Less income tax expense from operations	(893)	(523)	
Less income tax expense from deferred tax liability due to revaluation of investment property	(4,529)	(15,332)	
Net Profit/(Loss) after income tax expense	**3,869**	**(10,409)**	

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

- A gain on the revaluation of Investment Properties of $5.5m following an independent valuation in December 2020. The total increase in the carrying value of Investment Properties was $14.6m from 30th June 2020, which included the completion of the new Cold Chain Warehouse at a cost of $9m, and
- Adjustment to the corporate tax rate to 30% on the carrying value of PMG's tax liabilities including the deferred tax liability which represents a future tax obligation payable on sale of Investment Properties should that occur. As reported in the 2020 Annual Report, PMG had applied for a private tax ruling to apply the 27.5% tax rate, in line with a previous private tax ruling granted for the 2018/2019 year. In September 2020, the ATO advised that it had denied the request for the tax ruling, on the basis that the prior years tax ruling was incorrectly granted. As a result, PMG is required to restate the carrying value of its deferred tax liability to the 30% tax rate. Included in the tax expense for the half year ended 31 December 2020, is a charge to the profit and loss of $2.6m.

Review of Operations

The consolidated Group's continued operational focus throughout the half year remained unchanged in the management and development of the Perth Markets Site. The vacancy rate for the site at the end of December 2020 was 1.5% (2019: 1.5%).

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

Major undertaking this half-year were:

Construction of the new Cold chain Warehouse (Building 1) on the vacant land of Market City Site was completed in November 2020, on time and on budget. The new warehouse is 3,946 sqm in area and consists of 3 tenancies. Total cost of construction was $9m. At completion the new warehouse is fully tenanted.

The land & buildings of Perth Markets Site was independently valued in December 2020 by Knight Frank and the financial accounts of the consolidated entity reflect the movement in the value of the asset, “Investment Properties”. The value of Investment Properties was increased by $5,581k following the completion of the independent valuation. The increase is an unrealised gain to the consolidated entity’s financial results, which is not included in the cash flow or dividend calculation for the financial half-year ended 31 December 2020.

As at the date of this report, the Directors have resolved to declare a fully franked interim dividend of 3.1 cents per share to the holders of fully paid ordinary shares in respect of the half-year ended 31 December 2020, to be paid to shareholders by the 18th March 2021. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $1,824,044 and will be franked at tax rate of 30c/share.

Significant Changes in the State of Affairs

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

During the half year, PMG completed the construction of the new Cold Chain Warehouse at a total cost of $9m. Funding for the construction came from PMG’s construction facility with its bankers, drawing down $6.7m of the facility during the half-year to 31 December 2020.

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

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.

Proceedings on Behalf of the Company

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

Auditor's independence declaration

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

Rounding of Amounts

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

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

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Chair
Steven Cole
23rd February 2021

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Deputy Chair
Patricia Skinner
23rd February 2021

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

As lead auditor for the review of Perth Markets Group Limited for the half-year ended 31 December 2020, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 23 February 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2020

	Note	2020	2019
Continuing operations		**$'000**	**$'000**
Revenue		12,006	12,146
Other income		417	154
Total Revenue from continuing operations		**12,423**	**12,300**
Operating expenses			
Weekend markets expenses		(220)	(229)
Operational expenses		(1,806)	(2,891)
Commercial site management expenses		(4,921)	(4,781)
Depreciation and amortisation expenses		(212)	(228)
Operating profit		**5,264**	**4,171**
Gain on revaluation of investment properties		5,581	3,000
Finance expenses		(1,396)	(1,450)
Acquisition related costs		(158)	(275)
Profit before income tax		**9,291**	**5,446**
Income tax expense	12	(5,422)	(15,855)
Profit/(Loss) after income tax for the half-year		**3,869**	**(10,409)**
Other comprehensive income			
Items not reclassified subsequently to profit or loss:			
Changes in the fair value of cash flow hedges (net of tax)		536	1,649
Total other comprehensive (Loss)/Income for the half-year		536	1,649
Total comprehensive (Loss)/Income for the half-year		**4,405**	**(8,761)**

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 31 December 2020

	Note	31 Dec 2020	30 Jun 2020
Assets		**$'000**	**$'000**
Current assets			
Cash and cash equivalents		7,469	7,357
Receivables		189	278
Other Financial Assets	6	1,783	-
Other assets		1,306	660
Total current assets		**10,747**	**8,295**
Non-current assets			
Property, plant and equipment	4	5,630	7,318
Investment property	5	187,000	172,387
Deferred tax asset		919	-
Financial assets at fair value through profit or loss	6	3,938	3,403
Other assets		64	1,621
Total non-current assets		**197,551**	**184,729**
Total assets		**208,298**	**193,024**
Liabilities			
Current liabilities			
Payables		3,478	3,096
Employee benefit obligations		132	116
Other current liabilities	7	168	80
Total current liabilities		**3,778**	**3,292**
Non-current liabilities			
Borrowings	8	83,009	76,331
Employee benefit obligations		24	28
Deferred tax liability		16,786	11,195
Other non-current liabilities	7	15,077	15,311
Total non-current liabilities		**114,896**	**102,865**
Total liabilities		**118,674**	**106,157**
Net assets		**89,624**	**86,867**
Equity			
Contributed equity	9(a)	54,718	54,718
Reserves	9(b)	(3,722)	(4,258)
Retained earnings	9(b)	38,628	36,407
Total equity		**89,624**	**86,867**

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2020

Consolidated	Note	Contributed equity $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2019		**54,718**	**(4,811)**	**43,382**	**93,289**
Loss for the half-year		-	-	(10,409)	(10,409)
Other comprehensive income		-	1,649	-	1,649
Total comprehensive (Loss)/Income for the half-year		**-**	**1,649**	**(10,409)**	**(8,760)**
Distributions to unit holders		-	-	(701)	(701)
Balance at 31 December 2019		**54,718**	**(3,162)**	**32,272**	**83,828**

Consolidated	Note	Contributed equity $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2020		**54,718**	**(4,258)**	**36,407**	**86,867**
Profit for the half-year		-	-	3,869	3,869
Other comprehensive income		-	536	-	536
Total comprehensive Income/(Loss) for the half-year		**-**	**536**	**3,869**	**4,405**
Dividends paid	10	-	-	(1,648)	(1,648)
Balance at 31 December 2020		**54,718**	**(3,722)**	**38,628**	**89,624**

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

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2020

	Note	2020	2019
		$000	$000
Cash flows from operating activities			
Receipts and Payments			
Receipts from customers		13,642	12,447
Payments to suppliers and employees		(7,628)	(9,539)
		6,014	**2,908**
Interest income		-	18
Interest payments		(1,386)	(1,384)
Income tax		-	(207)
Net cash flows from operating activities		**4,628**	**1,335**
Cash flow from investing activities			
Payment for property, plant, equipment and assets under construction		(1,173)	(225)
Payment for construction (cold chain warehouse)		(7,911)	-
Proceeds from sale of property, plant and equipment		-	-
Dividends received		73	78
Investment in Unlisted Securities		(535)	-
Receipt / (Payment) for fixed term deposits		-	-
Net cash flows used in investing activities		**(9,546)**	**(147)**
Cash flow from financing activities			
Proceeds from borrowings		6,678	-
Repayment of borrowings		-	(131)
Distribution / Dividend paid		(1,648)	(2,187)
Net cash flow used in financing activities		**5,030**	**(2,318)**
Net increase/(decrease) in cash and cash equivalents		112	(1,130)
Cash and cash equivalents at the beginning of the half-year		7,357	5,926
Cash and cash equivalents at the end of the half-year		**7,469**	**4,796**

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

Notes to the Consolidated Financial Statements

1. Corporate information

These interim consolidated financial statements of Perth Markets Group Limited (PMG) and its subsidiaries (Group) for the half-year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 23rd February 2021.

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

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

2. Significant accounting policies

2.1 Basis of preparation

The interim financial statements do not include all of the information required for a complete set of AASB financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

It is recommended that the interim half-year financial statements be read in conjunction with the Perth Markets Group Limited (PMG)'s last annual consolidated financial statements as at and for the year ended 30 June 2020 ('last annual financial statements').

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and each of its wholly owned subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

2.3 Summary of Significant Accounting Policies

(a) Fair value measurement

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

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

► In the principal market for the asset or liability, or

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

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

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

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

(b) Income Tax

Current income tax

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

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

Deferred tax

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

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

► When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

► In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

(c) Investment properties

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

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

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

3. Significant accounting judgements, estimates and assumptions

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

Judgements

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

Property lease classification – Group as lessor

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

Estimates and assumptions

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

Revaluation of property, plant and equipment and investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. For investment properties, a valuation methodology using a combination of methods including the discounted cash flow (DCF) method was used. The Group engaged an independent valuation specialist to assess the fair values as at 31 December 2020 for the investment properties.

The key assumptions used to determine the fair value of the investment properties and office properties and sensitivity analyses are provided in Notes 5 and 10.

4. Property, plant and equipment

	31 Dec 2020 $'000	30 Jun 2020 $'000
Plant and equipment comprises:		
Fixed assets under construction	1,016	2,866
Property, plant and equipment at cost	6,518	6,149
Less: Accumulated depreciation	(1,904)	(1,697)
	5,630	**7,318**
Reconciliation:		
Carrying amount at start of year	7,318	5,166
Additions	7,460	2,575
Disposals/transfer to Investment Property	(8,941)	(20)
Depreciation	(207)	(403)
Carrying amount at end of year	**5,630**	**7,318**

5. Investment Properties

	Land $'000	Buildings $'000	Total $'000
Balance at 1 Jul 2020	**97,000**	**75,387**	**172,387**
Revaluation	-	5,581	5,581
Additions	-	9,032	9,032
Disposals	-	-	-
Balance at 31 Dec 2020	**97,000**	**90,000**	**187,000**

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

An independent valuation of the investment properties was completed as at 31 December 2020 by Knight Frank, a qualified valuer with relevant experience in the type of property being valued.

6. Other financial Assets

Current	31 Dec 2020 $'000	30 June 2020 $'000
Short-term investment deposits	1,783	-
Total current	**1,783**	**-**

Non-Current		
Shares in unlisted companies at fair market value	3,938	3,403
Total Non-Current	**3,938**	**3,403**

7. Other Liabilities

Current	31 Dec 2020 $'000	30 June 2020 $'000
Deposit – magnetic access cards	80	80
Income in advance	88	-
Total current	**168**	**80**

Non-current		
Security deposits (Tenant leases)	1,744	1,605
Deferred settlement consideration	8,184	8,030
Derivative financial liabilities – Cash flow hedges	5,149	5,676
Total non-current	**15,077**	**15,311**

Deferred settlement consideration

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

Derivatives

The Group's accounting policy for its cash flow hedges is set out in note 2.3 (h). Refer to note 3 for information about the methods and assumptions used in determining the fair value of derivatives.

8. Borrowings (Secured)

	31 Dec 2020 $'000	30 Jun 2020 $'000
Non-current		
Term loan (net of associated costs)	83,009	76,331
Total non-current	**83,009**	**76,331**

Terms and conditions relating to the secured loan

(a) The debt facility with the Commonwealth Bank Limited is $87,400k and will expire on 1 October 2022. Interest rate risks associated with the liabilities are managed with interest rate swaps arrangements. As at 31 December 2020, the company had drawn $83,009k of this $87,400k facility.

(b) Loans are secured by a first registered mortgage over all current and future real property at the Perth Markets site and a general security interest over the assets and undertakings of the company. The carrying amount of the investment property at 31 December 2020 is $187 million.

(c) Under the terms of the loan facility, there is a requirement to report financial undertaking to the Commonwealth Bank Limited on a 6-monthly basis. These undertakings include:

   a. The loan to value ratio (ratio of the total debt to the property value) is not greater than 55% on each calculation date,

   b. The interest cover ratio (ratio between EBITDA to interest expenses) is not less than 2.5 times (2.0 times for the 2021 financial year) on each calculation date.

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

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

Overdraft facility with a limit of:	- $2,000,000
Asset Finance Leasing facility with a limit of:	- $ 500,000
Cash advance facility:	- $ 901,000

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

Terms of the borrowings

The Group entered into a three-year, $84,800,000 revolving cash advance facility with the Commonwealth Bank Limited on 17 July 2019. The facility is interest bearing at a floating rate of interest linked to BBSY and was secured by the assets of the Group. The Group has in place an Interest Rate hedge against the term borrowing.

9. Contributed Equity

(a) Issued Capital

	31 Dec 2020 $'000	30 June 2020 $'000
Issued Shares	54,718	54,718

Capital Management

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

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

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

(b) Retained Earnings & Reserves

	Retained earnings $'000	Cash flow hedge reserve $'000
Balance at 1 July 2020	**36,407**	**(4,258)**
Result for the year after tax	3,869	-
Movements in fair value of cash flow hedges	-	536
Distribution during the half year	(1,648)	-
Balance at 31 December 2020	**38,628**	**(3,722)**

10. Dividends and Distributions

	$'000
June 2019 Final Distribution of 2018/19 at 3.3 cents per security paid September 2019	1,942
September 2019 Interim Distribution of 2019/20 at 0.4 cents per security paid December 2019	257
Total Distributions paid during the Financial Half-year 2019	**2,199**
June 2020 Final Dividend of 2019/20 at 2.8 cents per share paid November 2020	1,648
Total Dividends paid during the Financial Half-year 2020	**1,648**

11. Fair value measurements

31 Dec 2019 Consolidated	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Share investment	-	3,281	-	3,281
Investment properties	-	172,000	-	172,000
	-	175,281	-	175,281
Liabilities				
Derivative financial instruments	-	(4,518)	-	(4,518)
	-	(4,518)	-	(4,518)
31 Dec 2020 Consolidated				
Assets				
Share investment	-	3,938	-	3,938
Investment properties	-	178,059	-	178,059
	-	**181,997**	**-**	**181,997**
Liabilities				
Derivative financial instruments	-	(5,149)	-	(5,149)
	-	**(5,149)**	**-**	**(5,149)**

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

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

Valuation techniques to derive Level 2 fair values

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

They are derived from market-based information, such as rental yields or interest rate forward curves. An independent valuation of the investment properties was completed as at 31 December 2020 by Knight Frank, a qualified valuer with relevant experience in the type of property being valued.

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

12. Taxation

Current tax expense	31 Dec 2020 $'000	30 Jun 2020 $'000
Current tax expense/(benefit)	668	1,259
Deferred tax expense/(benefit)	2,091	(833)
Under/(over) provision	2,606	(24)
Previously unrecognised deferred taxes	57	13,573
Total income tax expense/(benefit)	**5,422**	**13,975**
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax expense/(benefit)	9,291	8,759
Income tax at the Australian tax rate of 30% (2020-27.5%)	2,788	2,409
Unrecognised tax losses and other deferred tax assets	2,537	12,310
Non-assessable	(30)	-
Tax effect amounts which are not deductible/(taxable)	1	(353)
Timing differences not previously recognised	69	(367)
Under/(over) provision	57	(24)
Total income tax expense/(benefit)	**5,422**	**13,975**
Amounts recognised directly in other comprehensive income		
Deferred tax expense/(benefit) relating to change in the fair value of cash flow hedges	(1,426)	(1,419)
Deferred tax assets and liabilities comprise temporary differences attributable to:		
Land & properties	(16,786)	(12,213)
Deferred settlement consideration	(545)	(493)
Plant and equipment	(202)	(105)
Total deferred tax liabilities	**(17,533)**	**(12,811)**
Deferred tax assets		
Interest rate swap	1,427	1,419
Other	239	197
Total deferred tax assets	**1,666**	**1,616**
Total deferred tax liabilities	(17,533)	(12,811)
Total deferred tax assets	1,665	1,616
Net deferred tax (liabilities)/assets	**(15,867)**	**(11,195)**
Franking credits available for use in subsequent financial years	**117**	**117**

Judgements and Estimates

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

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

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

As a result of this ruling by the ATO, the tax liabilities of PMG including the deferred tax liability relating to the future tax payable arising from the increased Investment Property valuations was restated at the applicable corporate tax rate of 30% as at the 31st December 2020 by $2.606 million.

13. Commitments & Contingent liabilities

There has been no significant change to commitments or contingent liabilities of the Group during the half year.

14. Related party transactions

There has been no significant changes to related party transactions during the half year.

15. Events after the reporting period

On 23rd February 2021, the directors declared a fully franked interim dividend of 3.1 cents per share to the holders of fully paid ordinary shares in respect of the half-year ended 31 December 2020, to be paid to shareholders by the 18th March 2021. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $1,824,044.

The COVID-19 pandemic has continued to provide uncertainty across Australia and Globally. PMG has a comprehensive COVID-19 site response plan. Since July of 2020, the Perth Markets site has been operating at Stage 1 – Normal Operations, however from the 31st January 2021, the site moved to Stage 2 Operation Status under State Government direction. PMG will continue to manage the site in accordance with its COVID -19 response plan and in accordance with State Government directions.

No other matters or circumstances have arisen since the half-year and the date of this report that significantly affects, or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Directors' Declaration

In the directors' opinion:

- The attached financial statements and notes comply with Australian Accounting Standard AASB 134 'Interim Financial Reporting', and other mandatory professional reporting requirements;
- The attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

___________________________	_________________________
Chair	Deputy Chair
Steven Cole	Patricia Skinner
23rd February 2021	23rd February 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Perth Markets Group Limited,

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Perth Markets Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, 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 half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

BDO

Neil Smith

Director

Perth, 23 February 2021