



Stakeholder Update 24/1/2018

Perth Markets Limited Interim Report for the half year ended 31 December 2017.

The Perth Markets Limited (PML) Board has signed off their report, and financial statements, for the half-year ended 31 December 2017. The financial statements have been reviewed and signed off by our Auditors.

A copy of the report is attached and is also available on our website www.perthmarket.com.au

The Consolidated operating profit after finance expense and income tax of the Group for the half year ended 31 December 2017 amounted to \$15.2m. This includes a gain on revaluation of investment property of \$13.0m referred to below.

The Group holds investment property at fair value. The property portfolio was revalued at 31 December 2017 with land and buildings valued at \$163.0m, (December 2016: \$150.0m) resulting in a gain to the Statement of Profit or Loss and Other Comprehensive Income for the half year of \$13.0m.

The Board recommended a Distribution of \$1,647,523.67 be paid for the 6 months to 31 December 2017, being 2.8 cents per security to be paid prior to 31 March 2018.

The record date for payment of the Distribution was approved as 23 January 2018 with payment to be made prior to 31 March 2018.

Key Highlights for the period ended 31 December 2017:

- Total Assets \$ 177,231,000
- Net Tangible Assets \$ 89,363,000
- Number of Stapled Units 58,840,131
- NTA per Stapled Security \$ 1.52
- No dividends were paid during the period ended 31/12/17.
- A Distribution of \$1,647,523.67, being 2.8 cents per security, was recommended for payment prior to 31/3/2018 with a record date of 23/1/2018.



Other Items

The Group continues to make progress with a number of financial and operational improvements being made. This is reflected by the satisfactory financial performance with revenue from operations growth at 4.3% and operating profit growth of 23.1% from the same period last year.

The planned development for the 12.5 ha of land at the rear of the site continues to be progressed with a new Property Development & Facilities Manager appointed to assist with the next phase of tenant negotiations and construction.

Background of Perth Markets Limited

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 crucial role in fresh produce supply but also makes a significant contribution to the State's economy and positively impacts 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 PML with ownership assumed on 31st 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.

As an industry based facility owner, manager and developer, PML's primary focus is ensuring the Market City Facility remains a marketing and distribution hub for fresh produce, and other products and services. The Market City facility remains critical in the fruit and vegetable value chain from farmer, transporter, wholesaler, retailer to consumer.

Please do not hesitate to contact PML with any comments or questions on 08 9456 9200 or PML@perthmarket.com.au

Stephen Ward
Chief Executive Officer

Perth Markets Limited

ACN 608 334 989

Interim report for the half-year ended 31 December 2017

**Perth Markets Limited
Directors' report
31 December 2017**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Perth Markets Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

Directors

The following persons were directors of Perth Markets Limited during or since the end of the half-year:

S. Cole	(Chairman)	<i>Appointed 22/05/2017</i>
P. Skinner	(Deputy Chair)	<i>Appointed 7/10/2015</i>
P. Hobson		<i>Appointed 22/08/2017 and Resigned 31/12/2017</i>
M. Lendich		<i>Appointed 26/02/2016</i>
F. Romano		<i>Appointed 12/04/2016</i>
E. Smith		<i>Appointed 7/10/2015</i>
D. Schirripa		<i>Appointed 26/02/2016</i>
A. Young		<i>Appointed 20/10/2015</i>

Principal activities

On 31 March 2016 Perth Markets Limited acquired the business and assets of Market City, WA's primary trading centre for fruit and vegetables. 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 and generates income from services provided to tenants and activities operated by Market City.

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

Review of operations

The consolidated operating profit after finance expense and income tax of the Group for the half year ended 31 December 2017 amounted to \$15.2m. This includes a gain on revaluation of investment property of \$13m referred to below.

The Group holds investment property at fair value. The property portfolio was revalued at 31 December 2017 with land and buildings valued at \$163m (December 2016: \$150m) resulting in a gain to the Statement of Profit or Loss and Other Comprehensive Income for the half year of \$13m.

The Group has had a satisfactory financial performance with revenue from operations growth of 4.3% and operating profit growth 23.1% from the same period last year.

Positive contributing factors to this result have been the successful program of business process improvement along with a focus on operational efficiency. Additionally, recoupment of 20% of land tax on the developed portion of the land from tenants has commenced.

Significant changes in the state of affairs

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

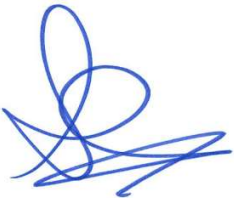
**Perth Markets Limited
Directors' report
31 December 2017**

Auditor's independence declaration

A copy of the auditor's independence declaration is set out on the following page.

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

On behalf of the directors

A handwritten signature in blue ink, consisting of several overlapping loops and lines, positioned above a horizontal line.

S Cole
Director

23 January 2018
Perth

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

As lead auditor for the review of Perth Markets Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the half year review.



Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 23 January 2018

Perth Markets Limited
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31 December 2017

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General information

The financial statements cover Perth Markets Limited as a consolidated entity consisting of Perth Markets Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Perth Markets Limited's functional and presentation currency.

Perth Markets Limited
Condensed Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017

	Note	Consolidated	
		Half-year ended 31 December 2017 \$'000	Half-year ended 31 December 2016 \$'000
Revenue from continuing operations		11,788	11,303
Operating expenses			
Weekend markets expenses		(235)	(212)
Operational expenses		(2,823)	(2,393)
Commercial site management expenses		(4,281)	(5,058)
Depreciation and amortisation expense		(190)	(180)
Operating profit		4,260	3,460
Gain on revaluation of investment properties		12,966	22,784
Finance expense		(1,438)	(1,588)
Acquisition related costs		(319)	(416)
Profit/(Loss) before income tax expense from continuing operations		15,469	24,240
Income tax benefit/(expense)		(237)	(213)
Profit after income tax expenses for the half-year		15,231	24,027
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net change in the fair value of cash flow hedges taken to equity		(233)	3,077
Other comprehensive income for the half-year, net of tax		(233)	3,077
Total comprehensive income for the half-year		14,998	27,104

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

Perth Markets Limited
Condensed Statement of financial position
As at 31 December 2017

	Note	Consolidated 31 December 2017 \$'000	30 June 2017 \$'000
Assets			
Current assets			
Cash and cash equivalents		5,171	4,516
Receivables		139	508
Other assets		2,464	521
Total current assets		7,774	5,545
Non-current assets			
Property, plant and equipment	2	4,889	5,052
Investment property	3	163,000	150,012
Deferred tax asset		73	91
Other assets		1,496	1,567
Total non-current assets		169,458	156,722
Total assets		177,231	162,267
Liabilities			
Current liabilities			
Payables		2,861	1,368
Provisions		57	68
Other current liabilities		143	89
Total current liabilities		3,062	1,525
Non-current liabilities			
Borrowings	5	74,806	74,686
Provisions		32	22
Other non-current liabilities	4	9,969	9,669
Total non-current liabilities		84,807	84,377
Total liabilities		87,869	85,902
Net assets		89,363	76,365
Equity			
Contributed equity	6	54,718	54,718
Reserves	8	(1,175)	(942)
Retained profits	8	35,820	22,589
Total equity		89,363	76,365

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

Perth Markets Limited
Condensed Statement of changes in equity
For the half-year ended 31 December 2017

	Note	Contributed equity \$'000	Reserves \$'000	Accumulated profits \$'000	Total equity \$'000
Consolidated					
Balance at 1 July 2016		54,724	(3,343)	(541)	50,840
Profit for the half-year		-	-	24,027	24,027
Other comprehensive income for the half-year, net of tax		-	3,077	-	3,077
Total comprehensive income for the half-year		-	3,077	24,027	27,104
Distribution to unit holders	7	-	-	(3,471)	(3,471)
Balance at 31 December 2016		54,724	(266)	20,015	74,474

	Note	Contributed equity \$'000	Reserves \$'000	Accumulated profits \$'000	Total equity \$'000
Consolidated					
Balance at 1 July 2017		54,718	(942)	22,589	76,365
Profit for the half-year		-	-	15,231	15,231
Other comprehensive income for the half-year, net of tax		-	(233)	-	(233)
Total comprehensive income for the half-year		-	(233)	15,231	14,998
Distribution to unit holders	7	-	-	(2,000)	(2,000)
Balance at 31 December 2017		54,718	(1,175)	35,820	89,363

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

Perth Markets Limited
Condensed Statement of cash flows
For the half-year ended 31 December 2017

	Consolidated	
	Half year ended 31 December 2017 \$'000	Half year ended 31 December 2016 \$'000
Note		
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	12,237	11,392
Payments to suppliers and employees (inclusive of GST)	(8,130)	(8,918)
	<u>4,107</u>	<u>2,474</u>
Interest received	43	33
Interest and other finance costs paid	(1,445)	(1,340)
Acquisition related costs	-	-
	<u>-</u>	<u>-</u>
Net cash from operating activities	<u>2,705</u>	<u>1,167</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(49)	(249)
Payment for acquisition of subsidiary, net of cash acquired	-	-
	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>(49)</u>	<u>(249)</u>
Cash flows from financing activities		
Proceeds from borrowings	-	-
Proceeds from issue of shares and other equity instruments	-	-
Share issue costs	-	-
Distribution payments	(2,000)	(1,600)
	<u>(2,000)</u>	<u>(1,600)</u>
Net cash used in financing activities	<u>(2,000)</u>	<u>(1,600)</u>
Net increase/(decrease) in cash and cash equivalents	656	(682)
Cash and cash equivalents at the beginning of the financial half-year	4,515	3,530
	<u>4,515</u>	<u>3,530</u>
Cash and cash equivalents at the end of the financial half-year	<u>5,171</u>	<u>2,848</u>

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

Perth Markets Limited
Notes to the financial statements
31 December 2017

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting', as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017.

The principal accounting policies adopted are consistent with those of the previous financial period, unless otherwise stated.

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

These financial statements have been prepared as an aggregation of the financial statements of PML and its controlled entities and Perth Market 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.

New, revised or amending Accounting Standards and Interpretations adopted

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 relevant to their operations and effective for the current half-year.

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Note 2. Non-current assets - property, plant and equipment

	31 December 2017 \$'000	30 June 2017 \$'000
Plant and equipment at cost	5,566	5,539
Less: Accumulated depreciation	(677)	(487)
	<u>4,889</u>	<u>5,052</u>
	<u><u>4,889</u></u>	<u><u>5,052</u></u>

Note 3. Non-current assets – investment properties

Consolidated	Land \$'000	Buildings \$'000	Total \$'000
Balance at 1 July 2017	102,000	48,012	150,012
Additions	-	22	22
Disposals	-	-	-
Revaluation	-	12,966	12,966
Balance at 31 December 2017	102,000	61,000	163,000

An independent valuation of the investment properties was completed as at 31 December 2017 by CBRE, a qualified valuer with relevant experience in the type of property being valued. Fair value was determined using the income based approach with a capitalisation rate of 7.5%. For more information on the key inputs used in the valuation refer to Note 9.

Consolidated	Land \$'000	Buildings \$'000	Total \$'000
Balance at 1 January 2017	102,000	48,000	150,000
Additions	-	12	12
Disposals	-	-	-
Balance at 30 June 2017	102,000	48,012	150,012

Note 4. Non-current liabilities – Other liabilities

	Consolidated	
	31 December 2017 \$'000	30 June 2017 \$'000
Security deposits	1,495	1,566
Deferred settlement consideration at amortised cost	7,299	7,161
Derivative financial liabilities	1,175	942
	9,969	9,669

Note 5. Non-current liabilities - borrowings

	Consolidated	
	31 December 2017 \$'000	30 June 2017 \$'000
Hire Purchase	70	76
Term loan (net of associated costs)	74,736	74,610
	74,806	74,686

Perth Markets Limited
Notes to the financial statements
31 December 2017

The group entered into a four year, \$75,300,000 revolving cash advance facility with 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.

Note 6. Equity – contributed equity

	31 December 2017	30 June 2017
	\$'000	\$'000
Ordinary shares:		
58,840,131 (June 2017 5840,131) fully paid	54,718	54,718

Movements in ordinary share capital

Details	PML \$'000	PMLT \$'000	Consolidated \$'000
Balance at 1 July 2017	3,345	51,373	54,718
Balance at 31 December 2017	3,345	51,373	54,718

Details	PML \$'000	PMLT \$'000	Consolidated \$'000
Balance at 1 January 2017	3,351	51,373	54,724
Less costs associated with the capital raises	(6)	-	(6)
Balance at 30 June 2017	3,345	51,373	54,718

Note 7. Equity - distributions

Distributions paid during the financial half-year were as follows:

	Consolidated	
	31 December 2017	31 December 2016
	\$'000	\$'000
September 2016 Final Distribution for 2015/16 at 2.5 cents per security paid September 2016	-	1,471
December 2016 Interim Distribution for 2016/17 at 3.4 cents per security paid March 2017	-	2,000
September 2017 Final Distribution for 2016/17 at 3.4 cents per security paid September 2017	2,000	-
	<u>2,000</u>	<u>3,471</u>

Note 8. Equity - reserves

Consolidated	Accumulated Profits \$'000	Cash flow Hedge reserve \$'000
Balance at 1 July 2017	22,589	(942)
Results from period after tax	15,231	-
Movements in fair value of cash flow hedges	-	(233)
Distribution paid for the year	(2,000)	-
	<u>35,820</u>	<u>(1,175)</u>
Balance at 31 December 2017	<u>35,820</u>	<u>(1,175)</u>

Note 9. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Consolidated - 31 Dec 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Investment properties	-	-	163,000	163,000
Total assets	-	-	163,000	163,000
<i>Liabilities</i>				
Derivative financial instruments	-	(1,175)	-	(1,175)
Total liabilities	-	(1,175)	-	(1,175)
Consolidated - 30 June 2017				
<i>Assets</i>				
Investment properties	-	-	150,012	150,012
Total assets	-	-	150,012	150,012
<i>Liabilities</i>				
Derivative financial instruments	-	(942)	-	(942)
Total liabilities	-	(942)	-	(942)

The investment properties have moved from level 2 to level 3 during the financial half-year. Fair value in the previous period was based on CBRE valuation of 31 December 2016

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Perth Markets Limited
Notes to the financial statements
31 December 2017

Land and buildings, including investment properties, have been valued based on the income based approach.

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current financial half-year are set out below:

Consolidated	Investment properties \$'000	Total \$'000
Balance at 1 July 2017	150,012	150,012
Reclassified as level 3 from level 2		
Additions	22	22
Disposals	-	-
Revaluation	12,966	12,966
Balance as at 31 December 2017	<u>163,000</u>	<u>163,000</u>

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Relationship between unobservable inputs and fair value	
Investment properties	Discount rate	8.25%	The higher the discount rate the lower the fair value
	Rental growth	1.89%	The higher the rental growth the higher the fair value
	Renewal probability	80%	The higher the expected renewal the higher the fair value
	Terminal yield	7.75%	The higher the terminal yield the lower the fair value
	Capitalisation rate	7.5%	The lower the capitalisation rate the higher the fair value

Note 10. Commitments & Contingent liabilities

There has been no significant change to commitments or contingent liabilities of the Group since 30 June 2017

Note 11. Related party transactions

There has been no significant changes to related party transactions since 30 June 2017.

Note 12. Events after the reporting period

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

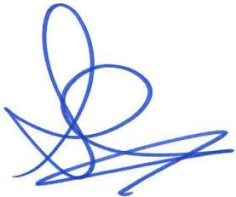
**Perth Markets Limited
Directors' declaration
31 December 2017**

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 consolidated entity's financial position as at 31 December 2017 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.

Signed in accordance with a resolution of directors.

On behalf of the directors



S Cole
Director

23 January 2018
Perth

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Perth Markets Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the Half-Year financial report of Perth Markets Limited (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year then ended, notes comprising a statement of significant 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 Half-Year financial report of the Group does not present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and of its financial performance and its cash flows for the period ended on that date, in accordance with the Australian Accounting Standards.

Directors' responsibility for the Financial Report

The directors of the Group are responsible for the preparation and fair presentation of the Half-Year financial report in accordance with the Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the Half-Year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Half-Year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Group*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-Year financial report is not presented fairly, in all material respects, in accordance with the Australian Accounting Standards. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.



Independence

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies.

BDO Audit (WA) Pty Ltd

BDO


Neil Smith

Director

Perth, 23 January 2018