

South Australian Produce Market Limited

# Annual Report 2018



## **Mission Statement**

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To be the best facility for the  
wholesale trading of  
fresh produce in Australia

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**Market Cardholders on site**

**2463**



**Leases/Licences**

**189**



**Statutory Profit before tax**

**\$7.195m**

5.5% increase on 2017



**Total Assets**

**\$127.6M**

2.5% increase on 2017



**Net Assets**

**\$72.9m**

1.8% increase on 2017



**Total Revenue**

**\$16.1M**

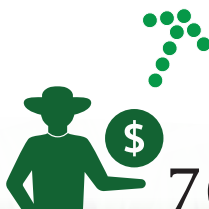
3.3% increase on 2017



**Gearing Ratio**

**31%**

32% Gearing Ratio 2017



**Dividend (Fully Franked)  
Paid per share**

**70 cents**



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David Schirripa  
Chairman

Angelo Demasi  
Chief Executive Officer


We are pleased to present the 2018 South Australian Produce Market Limited (SAPML) Annual Report.

The Group has had a successful year, and this has been reflected in all key financial indicators.

The headline numbers in this year's results reflect the positive performance of our underlying operations. The key headline numbers are set out under the Financial Results section of this report.

#### Strategic Objectives

Our strong performance in FY18 is a consequence of careful planning and long-term decision making by the Board and Management team. By adopting a long-term vision in all we do, we continue to build a sustainable business that meets the expectations of the Market Community, the Management Team and Shareholders into the future. This strategy has been instrumental in our acquiring real estate that compliments the Market precinct, managing our key Wholesale Market with long term leases, investing in infrastructure projects like the Energy Microgrid and acquiring stakes in other strategic assets like Perth and Brisbane Markets.

Over the last 8 years the Board and Management have successfully carried out the following construction and investment acquisition projects as part of SAPML's strategic plan:

Year	Project	Value
2011	Construction of 20,000 Square Metre Canopy over Market Square	\$3.9M
2011	Upgrade of Market Fire System	\$356k
2011	Construction of an additional 60 Carpark Spaces	\$150k
2011	Construction and Leasing of Extension to Warehouse N2 (LaManna Premier Group)	\$1.4M
2012	Extension of Canopy A and E	\$685k
2013	Stage 1 of the bitumen re-profiling and line marking	\$1.4M
2013	Stage 2 of the bitumen re-profiling	\$700k
2013	Canopy extensions to Buildings D and J	\$680k
2013	Bitumen upgrades of the CHEP yard and the Merchant Crescent entrance	\$360k
2014	Replacement of existing analogue Electricity Meters with National Electricity Market compliant digital meters	\$300k
2014	Administration Building upgrade	\$500k
2015	Upgrade to Warehouse Building H for new national tenant Morco Fresh	\$302k
2016	The acquisition of land and buildings at 9-15 Burma Road, Pooraka (located opposite Market entrance)	\$3.6M
2017	Electrical Switchboard	\$151k
2017	Perth Markets Limited Share Acquisition	\$7.9M
2018	Commencement of construction of 2.6 Megawatt Solar Energy Microgrid, Diesel Generator and Back Up Battery	\$1.4M
<b>Total Capital Works</b>		<b>\$15.88M</b>
<b>Total Capital Works and Strategic Investments</b>		<b>\$23.78M</b>

In addition to the Projects noted in the table above the following projects have been completed or are underway:

Completion of the Solar Microgrid – total investment after grants	circa \$7M
Brisbane Markets Limited Share Placement	\$3M
Food Precinct – (subject to leasing pre commitments)	circa \$15M
Upgrade of infrastructure at 9-15 Burma Road Pooraka Site	circa \$200k



*Brisbane Markets Limited  
Share Investment.*



Our positive results have not caused us to become complacent. We are constantly evaluating opportunities and keeping abreast of changes influenced by technology and other market drivers. To complement this, we have created an environment that enables us to be flexible and capitalise on the opportunities that will deliver on our long-term strategy.

#### **Renewal of Market Store and Warehouse Leases**

A key focus during FY18 has been the negotiation of Market Store and Warehouse Leases, representing circa \$5.2m of rent, many of which expired on 30 September 2018. The significant work and negotiation associated with the expiry of the vast bulk of Market Leases commenced over two years ago and followed on from a thorough review of the Market standard leases.

We are delighted to report at the time of writing this report all existing Market Wholesalers have entered into long-term leases. As a result, the weighted average of lease expiry (WALE) has increased from 2.59 years as at 30 June 2017 to 4.37 years as at 30 June 2018.

While the major focus during FY18 was Market Lease Renewals and the onsite Power Microgrid Project, planning for the Food Promotion Development Site also continued to progress. The development of the vacant land adjacent to the Market will be a major focus during FY19. Whilst

the Board and Management are eager to develop this site, until there are binding lease pre-commitments from potential tenants, construction work will not proceed.

As reported in the 2016 and 2017 fiscal years, SAPML acquired a strategic stake in Perth Markets Ltd (PML), the owner of the privatised Perth wholesale fresh produce market located at Canning Vale. During FY19 SAPML was offered the opportunity to accept a share placement in Brisbane Markets Ltd (BML), the owner of Brisbane's wholesale fresh produce market located at Rocklea. We are pleased to report that SAPML acquired 937,500 BML Shares for a total placement value of \$3.0M. SAPML now holds a 12.93% stake in PML and 1.7% stake in BML. PML also made a similar investment in BML at the same time.

The owners of all three Markets continue to work collaboratively on a range of Market operation and industry issues that affect all wholesale produce markets.

#### **Debt Level/Ratio**

The Group's core long term debt as at 30 June 2018 was approximately \$33.5M. The debt facility was renegotiated with CBA commencing in October 2018, consolidating and extending the current facilities until October 2020 as one single facility.

In total, the Group's debt as a proportion of the value of its real estate assets (LVR) (as determined by valuation) is 31.0% and this continues to represent a conservative weighting of debt which in turn permits the Group to consider developing its vacant land assets and other strategic investments.

#### **Financial Results**

SAPML has produced another strong result. We are proud of our team consistently executing our strategy and delivering or Market Traders and Shareholders. Property fundamentals steadily improved during the year, achieving like-for-like net property income growth of 3.2% and 99.79% occupancy across the Group's property holdings.

For FY18 SAPML has reported full-year statutory profit after tax of \$5.32 million. Consolidated profit after income tax, excluding the revaluation gain, which is considered by the Board to best reflect underlying earnings, was \$4.95 million, up 37.4% from the prior year result of \$3.6 million. The significant uplift in operating profits has been attributed to several factors including the increased income distribution from PML, reduced costs and employment costs, the closure of SAPML's recycling business and sale of SAPML's export business. This has also been achieved whilst renegotiating 42 Market Leases that expired at the end of September 2018.



Revenue for FY18 increased to \$16.1M (2017: \$15.6M). The growth in revenue can be mainly attributed to the increased rental income from the Burma Road investment and increased income from PML.

As reported last year we continue to transform our business whilst maintaining our Market operations and property portfolios. This has again been achieved whilst continuing to strengthen our balance sheet through a mix of favourable property valuations and share acquisitions.

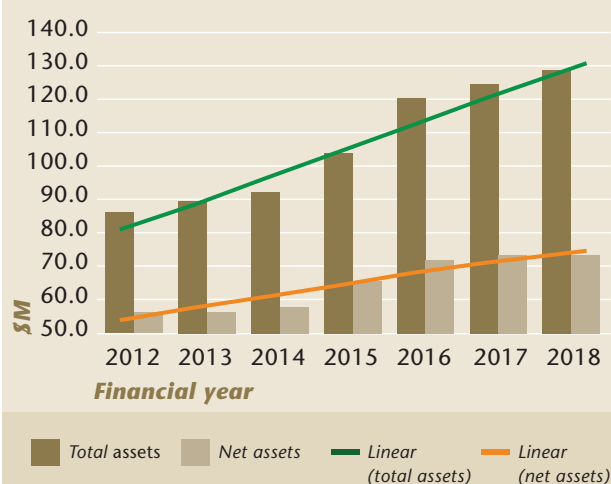
The Group achieved a gain on revaluation in 2018 of \$540K, following on from a larger increase in revaluation reserves in 2015, 2016 and 2017 of \$9.99M, \$9.07M and \$1.59M respectively. This year's valuation increase was mainly a result of the increased valuation of the long-term ground lease to Gallop Australia Sub TC Pty Ltd, a subsidiary of the Blackstone Group.

The value of the Company's investment in PML increased by \$476K to \$8.37M consistent with the accounting requirement to revalue financial assets to Fair Market Value.

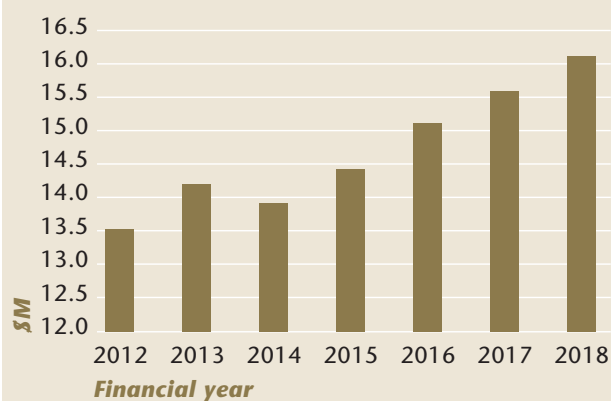
With the increased valuation of our locally based assets and the shares in PML, coupled with an increase in cash held, Gross Assets for the Group increased to \$127.6M from \$124.5M in 2017. As a result of these increases, gearing has been reduced from 32.3% to 31% while the Net Asset Backing has increased from \$12.40 in 2017 to \$12.62 per share in 2018.

During FY18 13,800 shares in the Company were traded at an average selling price of \$16.38 per share, compared with 46,666 shares traded at an average selling price of \$15.81 per share in FY17.

### Total assets & net assets growth



### SAPML Revenue





### Property Valuation

The Market Site was valued at \$65.15M compared to \$64.4M in FY17 representing an increase of \$750K. The valuer adopted a 8.59% capitalisation rate compared with 8.96% in FY17.

The Group's long-term 18 Hectare ground lease to Gallop Australia Sub TC Pty Ltd was valued at \$30M in FY18 compared with \$29M in FY17, representing an increase of \$1M. This was mainly due to a reduction in the capitalisation rate from 5.66% in FY17 to 5.63% in FY18.

The Auscold Facility was valued at \$12.7M in FY18 compared with \$13M in FY17, representing a decrease of \$300K. This was mainly due to an increase in the capitalisation rate from 9.28% in FY17 to 9.52% in FY18.

The Burma Road Property had an uplift in value, increasing to \$3.85M in FY18 compared with \$3.5M in FY17, representing an increase of \$350K. This was mainly due to additional rent achieved across this property in FY18 compared to FY17.

The effect of the increased valuation this year can be explained as follows:

	\$
<b>Valuation FY17</b>	<b>111,365,000</b>
Additions at cost	1,419,573
Depreciation expense	- 81,547
Revaluation increment	541,974
Movement in Valuation	1,880,000
<b>Valuation FY18</b>	<b>113,245,000</b>

### Leasing

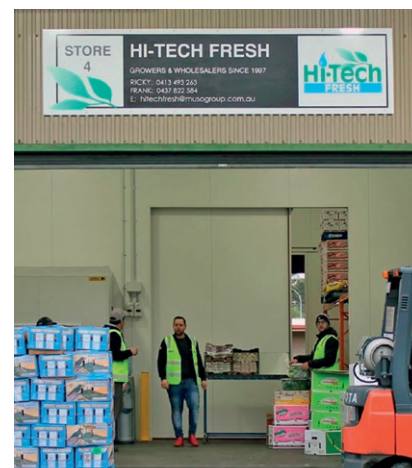
We are pleased to report that all Market Tenants have now entered into long term leases with lease terms ranging from 5 to 12-year terms. Tenants who signed longer term leases and combined their tenancies were rewarded with lower starting rents as an incentive to enter into longer term

leases. An overall reduction of 3.07% of net rents has occurred across the Market Site as a result of the 2018 Market Lease renewals. The Board adopted the strategy of seeking to consolidate the number of Wholesalers by providing an incentive to consolidate areas leased. The number of Wholesaler Store Leases has decreased from 55 in FY17 to 42 at present.

Wholesaling store statistics	Number of Wholesale Store Leases
Number of Wholesalers in 1987	58
Number of Wholesalers in 2017	55
Final number of Wholesalers 2018 after consolidation	42

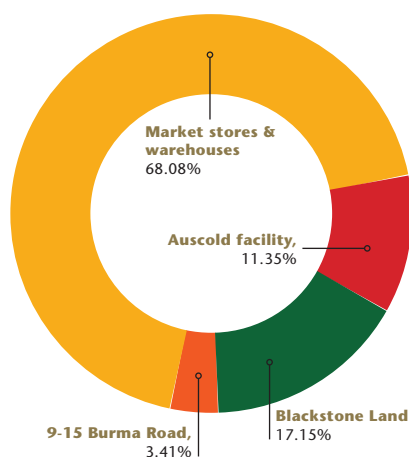
As reported last year the Board and Management also reviewed the tenancy mix of the Market and have secured longer term leases with key existing and exciting new Market Traders (including Merchant Street Wholesalers, Stella Food Produce and Hi Tech Fresh) taking up space and which have also introduced new produce and food lines into the Market.

Now that Market Leases have been renewed, Management will seek to complete and finalise the Site Master Plan.





#### Contributions to Net Market Rental Income



After considering all the Group's leases including the Market Leases that have been renewed in 2018, the weighted average lease expiry (WALE) of leases of the whole group, has increased to 9.83 years as at 30 June 2018 compared to 8.91 years for FY 2017.

#### Burma Road Property

After an extensive search a tenant has been secured for a previously vacant portion of the Burma Road property comprising 1,400 sqm. The Burma Road Site is fully leased with the current net rental at circa \$350K compared with \$249K in FY17 and \$247K in 2016. The rent in both FY16 and FY17 includes an imputed rental for the former carton recycling business which closed on 30 September 2017. In the FY19 the site will undergo certain capital works to improve loading, logistics and parking areas for the fully tenanted facility.



A tenant has been secured for the Burma Road property.

#### Vacant land - Eastern side of Market

As reported last year this vacant land of approximately 2.5 Hectares has been earmarked for several strategic proposals including CHEP Yard, Bio Security Export Facility and additional warehousing for Secondary Wholesalers. Although no further work has been done in FY18 we are pleased to have moved a step closer in introducing pooling equipment reform within the Market system with the commencement of the CHEP National Fresh Markets roll-out in SA. We have expanded our footprint by using the current CHEP Yard, the Market Square and the Growers Pavilion for storing and returning pooled equipment. The objective is to promote positive change in relation to

the use of pallets and other pooled equipment. Initial indications are showing a saving to Growers and Wholesalers of \$172K over the last 6 months and approximately \$30K in new Market Buyers' rebates for those Market Traders participating in the project. The project commenced in Adelaide on the 22 February 2018 with volumes growing constantly. Market Buyers are supportive of CHEP's increased operational presence via the agency.

The Market continues to operate a CHEP agency within the site, moving 1.5 million pallets p.a.



The use of pallets and other pooled equipment aims to create a positive change.

### Market Operations / Capital Works

The Solar Microgrid, Battery and Diesel Generator System which is currently under construction has been the major focus of capital works and is dealt with in the Market Energy Supply section of this report.

The primary focus this year has been working on synergies that impact SAPML's business including the following:

- The National Heavy Vehicle Regulator introduced several changes to Chain of Responsibility Laws during the year.
- SAPML coordinated meetings with the National Heavy Vehicle Regulator to review amendments to Chain of Responsibility Laws and the impact on business being undertaken within the Market for any vehicles over 4.5 tonne.
- SAPML organised an informal Q&A session which focused on On-Road Compliance and Enforcement [including the use of registered forklifts on a public road].

Contractor Management continued to be a major focus across the SAPML site including intensive training with continual reviews of the induction and document control processes.

SAPML's stringent Contractor Management process has also provided additional benefits to SAPML with respect to its insurance policy renewals. Obtaining competitive insurance each year is becoming increasingly difficult for wholesale produce markets. Underwriters have had difficulties in obtaining support from re-insurers this year for EPS (i.e., cool room panels) related risks and this has had a significant knock on effect for SAPML. Prior to this year's renewals, a South Australian company in the meat processing industry experienced a large-scale fire of its processing facility and as a direct result, several re-insurers withdrew from the insurance market. Due process

innovations and controls that SAPML has adopted within the Market in recent years, the Company was able to obtain cover.

This will continue to prove a challenge in the coming years and Management will continue to work with underwriters to manage this cost and risk.

SAPML introduced Automated Remote Gatehouse Attendance from 12:00 pm until 4:00 pm, Monday to Friday. The Remote Gatehouse Attendance is undertaken from the Administration Building and operated via a video intercom system with a Gallagher access control system.

This has proven to be very successful in reducing the cost of security during a period when Market User Inductions and Access Cards numbers have increased.

During the year we have upgraded the site's CCTV system at a cost of circa \$52K,

converting the old Analog system to a digital Camera system, enabling features like facial recognition.

The Market continued to operate the Market Unloading Service with reviews of management and ownership structure occurring during the last quarter of the year.

The unloading numbers have been steady over the past 5 years:

2014	:	88,783
2015	:	86,704
2016	:	90,881
2017	:	90,183
2018	:	86,161

The Winter period in 2018 has seen much lower than usual volumes traded within the Market but which are consistent with declining retail sales.



*The Automated Remote Gatehouse operates from the Administration building.*



*Aerial image of SAPML at Pooraka, showing the installation of solar panels in progress.*



### Market Energy Supply

As reported in the FY17 Annual Report the SAPML Board approved capital works for an onsite solar PV and backup and spot price mitigation generation system. Stage 2 of the project was to include Battery storage system subject to State Government funding. We are delighted to report that in January 2018 SAPML secured a \$2.5M Grant from the SA Government through the Stream One Energy Productivity Implementation Grant Program. The Grant approval has enabled SAPML to implement the entire Solar PV System including a 2.6MW Battery Storage System.

As reported last year Autonomous Energy were awarded the contract to construct the \$10.5M Microgrid which includes a 2.6MW lithium-ion battery, 2.5MW solar PV system (8500 solar panels) and a 2.5MW onsite generator, all connected electrically, with fiber optic cable and controlled by a custom designed smart control and smart switching system that will mitigate against high prices on the spot market for electricity. This system will be the first to be installed on a commercial site like the Market. The technology will forecast when to produce power on site or purchase off the grid which will reduce Market power costs and provide onsite power backup. Other smart technology has been included in the project by installing 390W SunPower panels rather than the 290W standard panels, reducing the number of panels required.

The project will have significant community and environmental benefit by cutting annual greenhouse gas emissions by 2,637 tonnes and reducing the maximum demand on the South Australian electricity grid by using the latest smart-grid technology. At full capacity, the system is capable of supplying electricity to approximately 4,500 homes.

The total project costs allowing for connections and contingencies is likely to be circa \$10.9M. Allowing for the approved Grant of \$2.5M will bring the total cost to \$8.4M. At the time of writing this report the works are on track to complete the Solar and Diesel generation backup component of the works before the summer peak period. The delivery of the

battery backup system will be delayed to mid-2019 due to a world-wide shortage of large-scale batteries.

Planning approval for the entire project has been granted with 90% of the solar panels installed and the diesel generator installed. The main switch board and final sign off by the various regulators is currently underway.



Onsite solar PV system overlooking the SAPML site.



Installation of the Diesel generator.



Diesel generator fully installed.





### Food Precinct Expansion Project

As reported last year the Food Precinct Expansion Project was granted planning approval. Management has been continuing to work with several prospective tenants to move this project forward. These discussions are ongoing. Construction will not proceed until binding lease commitments are entered into.

During the year planning approval was received to develop one of the Market's strategic vacant land holdings namely, the site on the corner of Main North Road and Burma Road. The site has high exposure to Main North Road. The approval includes a Retail Produce Market concept comprising of a new 'market' building, attached canopy and temporary market stalls. The approval is linked with the Food Precinct Project Site so as to provide the required level of parking. The integration of the precincts is now the next challenge.



Plans for the Food Precinct Expansion Project.

### Market Fresh SA PTY LTD

Market Fresh is a joint initiative of SAPML and the SA Chamber for Fruit and Vegetables (SA Chamber). The principal aim of the initiative is to increase the volume of produce sold through the South Australian Produce Market and consumed at the independent retailer level.

During the 2017-2018 financial year the Pick A Local, Pick SA! marketing campaign saw an increased presence at retailer and community level to compliment the integrated marketing approach that included television, radio and print.

Pick A Local, Pick SA! also welcomed further assistance from a national level with the development of a national retailer support program, "A Better Choice". With the inclusion of this program, independent retailers can expect more retail initiatives. In FY18 the Market and the SA Chamber jointly provided funding to the National Program to develop the concept to commence in the 2018/19 Financial year. SAPML and the SA Chamber jointly funded Market Fresh SA \$130K each in FY18 and have committed to fund \$150k each in FY19. The additional funding will ensure that the Market Fresh SA initiative can transition from a locally based independent retail branding program into the National Program. Nationally all Wholesale Markets are committed to driving the Independent sector through this National Program. This will provide independent family operated businesses the marketing tools to drive sales within their shops and in turn drive sales through the Wholesale Markets.

During FY18 Market Fresh SA worked on a number of 'consumer facing' campaigns to gather support for independent retailers. These campaigns included working closely with the Independent Retailer Association lobbying against total deregulations of Retail Shop Trading Hours

to further support retailers in the fruit and vegetable space. This saw the creation of in-store collateral, media opportunities provided to stores and to industry. This also included working with retailers and industry on the listeria outbreak in rock melons. Our engagement with media and independent retailers saw South Australian retailers support SA growers to combat the issue to regain consumer confidence.



All the activities conducted by Market Fresh SA are guided by the objective of increasing the volume of produce sold through the Market and through the independent retail sector.

Market Fresh SA operations continued under the guidance of Nadia Boscaini as Marketing, Events and Promotions Coordinator.

We look forward to this new stage of development, working with Nadia as she continues to implement new initiatives to add further value to the independent retail sector.

Market Fresh also provides Price Reporting to industry and stakeholders nationally to ensure everyone in the supply chain is kept abreast of Wholesale pricing within the SA Market. During the FY18 the Price reporting IT systems were upgraded to bring them in line with current systems and practices.







### Industry and Market Matters

The Company completed its last year as Secretariat of the Central Markets Association of Australia (CMAA) and in May 2018 handed the role to Melbourne Market. Through the efforts of the SAPML CEO the Company has managed the role of CMAA Secretariat since 2010/11. During that time the CEO championed a number of national issues including the changes to Horticulture Industry Mandatory Code, assisting the Master Grocers Association and Independent Retailers Association in providing input into the Harper Review with respect to the competition law reform in the Retail Sector.

On an industry front we were pleased to bring together the Wholesaling Sector with AUSVEG and PMA running the first combined Horticulture Conference in Adelaide in 2017 which has continued to grow in 2018 with 2700 attendees at the Brisbane conference. After many years of advocating for a National Marketing Retail Program, the Wholesale Markets and Fresh Markets Australia have commenced the new 'A Better Choice' program.

On the local front after Susie Green stepped down as Chair of the Horticultural Coalition of SA (HCSA) and SAPML CEO was appointed as Interim Chair. HCSA was formed in 2012 and represents Growers, Wholesalers and the Market on local issues impacting industry.

During the March 2018 SA State Election the Company hosted political parties with Market tours and had the opportunity to lobby on important industry and Market related matters. We were pleased to have had both the former Premier Jay Weatherill and current Premier Steven Marshall visit the Market and have an opportunity to meet with them and promote the Market.



Angelo Demasi and Venessa Kennedy (Brisbane Markets) launching 'A Better Choice' at the Horticulture Conference in Brisbane.



Visits from leaders of both major political parties during the State Election campaign.

The Company has also welcomed industry representative body AUSVEG SA as a new tenant to the Market which ensures closer ties between Growers and Market Wholesalers.

In FY16 SAPML developed an Export Brand "Fresh Please" with a view to cluster several Growers and Wholesalers within SA to export under one brand and encourage more Market Traders to focus on export within the Market.

In 2018 the SAPML Board completed a review of the Fresh Please Brand and the operations of its export company, Australian Produce Collective Pty Ltd. Sales of \$715K were achieved during first 12 months of trading for the business. Despite growth in sales, margins were tight and it became evident that selling the Brand and the other business assets to an existing Market Trader would ensure the business could continue to grow.

After conducting a closed tender process the Scalzi Group purchased the Fresh Please Brand and the associated business assets from SAPML in February 2018.



Since the introduction of the export business at the Market there are several other Wholesalers and Growers collaborating to export into Asian markets. Accordingly, the strategic objective of increasing export sales through the Market has been achieved.

#### Future Outlook

As we approach the end of the Company's five-year Strategic Plan the Board and Management will review the Plan with a view to formally adopt a new Plan for the next 5 years. Market logistics and operations will be reviewed in early 2019 and will form part of the new Strategic Plan.

The review of the Strategic Plan will focus on the following:

- Market Site and Master Plan for the next 10-year horizon
- Market logistics and operating costs
- Development of vacant land assets
- Market infrastructure for the next 10-year horizon
- Synergies with other Australian wholesale markets
- Review of all business units and Market operations
- Market Unloading Service and Pallet Management operations and management structure
- Introducing new IT technologies to streamline market operations and trading
- Company and Board structure

Technology is transforming the way we do business and it is imperative that Markets continue to review processes and operations. SAPML will continue to look at our own internal processes to streamline and further develop these processes and work on a national basis on key national projects such as the new national marketing campaign 'A Better Choice'.

FY19 will continue to be a busy year. The Company is focussed on ensuring the Solar Microgrid and Diesel Generation System is fully functional during the coming Summer.

We take this opportunity to thank the SAPML team and the Market community for their continued support for what has been a successful year and we look forward to another exciting and challenging year ahead.

David Schirripa  
Chairman

Angelo Demasi  
CEO







Your Directors present their report on the parent company (South Australian Produce Market Limited) and its controlled entities, (Consolidated Group), for the financial year ended.

The names of the Directors in office at any time during or since the end of the year (until the date of this report) are:

- Mr David Schirripa (Chairman)
- Mr Nicola (Nic) Minicozzi (Deputy Chairman)
- Mr Pasquale (Pat) Scalzi
- Mr Daniele (Danny) De Ieso
- Mr Antonio (Tony) Ceravolo
- Mr Michael Ruggiero
- Ms Christine Scalzi
- Mr Girolamo (James) Fragnito
- Mr Derrick Patterson

Directors have been in office since the start of the financial year to the date of this report.

#### Company Secretary

The position of Company Secretary is held by the Consolidated Group's Chief Executive Officer, Mr Angelo Demasi.

#### Principal Activities

The principal activities of the Group during the financial year were the management of the wholesale market, the provision of related market services and related property investments. No significant changes in the nature of these activities occurred during the year.

#### Operating Result: Summary – Consolidated Group

	2018 \$	2017 \$
Consolidated profit before income tax	7,195,307	6,818,822
Revaluation (loss)/gain included in consolidated profit	541,974	1,590,209
Consolidated profit before income tax, excluding the revaluation gain/loss	6,653,333	5,228,613
Current income tax payable	1,704,388	1,628,849
Consolidated profit after income tax excluding revaluation gain/(loss)	4,948,945	3,599,764

#### Dividends

The dividends paid and declared to be paid since the start of the 2018 financial year are as follows:

- Fully franked final dividend of 35 cents per share (for the year ended 30 June 2017) paid on 15 December 2017, as declared by the Directors: \$2,021,096.
- Fully franked interim dividend of 35 cents per share (for the year ended 30 June 2018) paid on 15 May 2018, as declared by the Directors: \$2,021,096.

#### Review of operations

A review of operations of the Consolidated Group and the results of those operations are contained in the accompanying combined Chairman's and Chief Executive Officer's Report.

During the year the Consolidated Group continued to engage in its principal activities, the results of which are disclosed in the accompanying financial report. SAPML continued to review its subsidiary operations and the Board resolved to cease the trading of the business of Australian Produce Cases & Recycling Pty Ltd (which occurred in September 2017), and sell the assets of Australian Produce Collective Pty Ltd (which occurred in March 2018).

#### Significant changes in the state of affairs

No significant changes in the state of affairs of the Consolidated Group occurred during the year.

#### After reporting date events

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

#### Future developments, prospects and business strategies

Future developments, prospects and business strategies in the operations of the Consolidated Group are referred to in the accompanying Chairman's and Chief Executive Officer's Reports.



## Information on Directors



**Mr David Schirripa**  
Director and Chairman

### Qualifications:

Lawyer LLB (Hons) GDLP  
B. Econ.(Accg)  
Notary Public

### Experience:

Involvement in fresh produce industry at grower, wholesale and retail level.

Director from 2004 to 2007. Re-joined the Board in 2010 and appointed Chair. In the role of Chair since 2010.

Director of Schirripa Evans Lawyers, a private client law practice.

Director of Schirripa Orchards Pty Ltd, an avocado orchardist.

Non-Executive Director of Perth Markets Limited (as a representative of South Australian Produce Market Ltd).

Total director fees received for 2017/2018 from Perth Markets Limited was \$22,097.28,

### Registered interest in shares & options:

253,900

### Attendance:

Meetings of Directors 1 July 2017 to 30 June 2018 (for the Consolidated Group)

### Board Meetings:

Number eligible to attend:	12
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Number attended:	11
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### Committee Meetings:

Number eligible to attend	4
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Number attended	4
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### Committees presided on:

Audit, Corporate Governance and Finance Committee

### Share options

No options to have shares issued in the Consolidated Group were granted during or since the end of the financial year and there were no options outstanding at the end of the financial year.

### Environmental issues

The Consolidated Group has complied with all environmental regulations under the Commonwealth or State legislation.



**Mr Nicola (Nic) Minicozzi**  
Director and Deputy Chairman

#### Qualifications

Bachelor of Laws (LLB)  
Notary Public

#### Experience

Admitted Legal Practitioner in 1974  
  
Experience in non-litigious and litigious Commercial Law

#### Registered interest in shares & options

Nil

#### Attendance

Meetings of Directors 1 July 2017 to 30 June 2018 (for the Consolidated Group)

#### Board Meetings

Number eligible to attend	12
Number attended	11

#### Committee Meetings

Number eligible to attend	3
Number attended	3

#### Committees presided on

Audit, Corporate Governance and Finance Committee



**Pasquale (Pat) Scalzi, OAM**  
Director

#### Experience

Managing Director,  
P.E Scalzi Pty Ltd  
  
Director, P.E. Services Pty Ltd  
  
Director, Pooraka Wholesalers Pty Ltd  
  
Over 50 years' wholesale fruit and vegetable industry  
  
Wholesaler Board Member since 1987

#### Registered interest in shares and options

823,199

#### Attendance

Meetings of Directors 1 July 2017 to 30 June 2018 (for the Consolidated Group)

#### Board Meetings

Number eligible to attend	12
Number attended	11

#### Committee Meetings

Number eligible to attend	3
Number attended	3

#### Committees presided on

Audit, Corporate Governance and Finance Committee



**Mr Daniele (Danny) Rafaele De Ieso**  
Director

#### Qualifications

Advanced Diploma in Horticulture Production  
  
Diploma of Rural Business Management

#### Experience

Over 35 years' experience in fruit and vegetable industry  
  
Grower Board Member since 2002  
  
Director, Ausveg  
  
Director, Ausveg SA

#### Registered interest in shares and options

2,400

#### Attendance

Meetings of Directors 1 July 2017 to 30 June 2018 (for the Consolidated Group)

#### Board Meetings

Number eligible to attend	12
Number attended	12



**Mr Girolamo (James) Fragnito**

Director

**Experience**

Over 30 years of experience in fruit and vegetable retailing

2007 Chairman, Adelaide Produce Markets Young Leaders Committee

Managing Director, Mount Barker Fresh Market

Committee member, SA Fruit & Veg Retailer Association

**Registered interest in****shares and options**

37,500

**Attendance**

Meetings of Directors 1 July 2017 to 30 June 2018 (for the Consolidated Group)

**Board Meetings**

Number eligible to attend	12
---------------------------	----

Number attended	12
-----------------	----

**Ms Christine Scalzi**

Director

**Experience**

Director, Select Naturally Pty Ltd

Commenced with City Fruit in 1990, underpinning many years of experience fulfilling various administration and business roles with Select Naturally.

**Registered interest in****shares and options**

258,200

**Attendance**

Meetings of Directors 1 July 2017 to 30 June 2018 (for the Consolidated Group)

Board Meetings:

Number eligible to attend	12
---------------------------	----

Number attended	10
-----------------	----

**Mr Antonio (Tony) Ceravolo**

Director

**Qualifications**

Managing Director,  
R Ceravolo & Co Pty Ltd

Director, Ashton Valley Fresh Juices

Director, Ceravolo Orchards Pty Ltd

Director, Apple & Pear Growers Association of SA

**Experience**

35 years of orchard experience

35 years of experience in wholesale of fruit and vegetables

**Registered interest in****shares and options**

123,300

**Attendance**

Meetings of Directors 1 July 2017 to 30 June 2018 (for the Consolidated Group)

**Board Meetings**

Number eligible to attend	12
---------------------------	----

Number attended	10
-----------------	----

**Mr Derrick Patterson**

Director

**Experience**

Over 40 years of experience in fresh fruit and vegetable Retailing

Former Chairman,  
Go Green Grocer Retailer Association

Cherry Ball Charity Committee  
member since 1997

**Registered interest in shares and options**

10,000

**Attendance**

Meetings of Directors 1 July 2017 to  
30 June 2018 (for the Consolidated  
Group)

**Board Meetings**

Number eligible to attend	12
---------------------------	----

Number attended	12
-----------------	----

**Committee Meetings**

Number eligible to attend	3
---------------------------	---

Number attended	3
-----------------	---

**Committees presided on**

Audit, Corporate Governance &  
Finance Committee

**Mr Michael Ruggiero**

Director

**Qualifications**

Bachelor of Arts (Accounting)

Chartered Accountant

Chartered Tax Adviser

Diploma in Financial Services

**Experience**

30 years of experience as a  
Chartered Accountant

Managing Partner, Bentleys  
Accountants, Auditors and Advisors

Advisor in the area of taxation and  
business consulting in the property,  
retail and wholesale sectors and  
professional services industry

Experience in Capital Gains Tax,  
international taxation, structuring  
property and business acquisitions

**Registered interest in shares and options**

Nil

**Attendance**

Meetings of Directors 1 July 2017 to  
30 June 2018 (for the Consolidated  
Group)

**Board Meetings**

Number eligible to attend	12
---------------------------	----

Number attended	12
-----------------	----

**Committee Meetings**

Number eligible to attend	4
---------------------------	---

Number attended	4
-----------------	---

**Committees presided on**

Audit, Corporate Governance &  
Finance Committee



The Consolidated Group's policy for determining the nature and amount of emoluments of Directors and the Chief Executive Officer is as follows:

#### 1. Directors' Emoluments

Directors' emoluments were determined at the Annual General Meeting of the Parent Entity and are made in accordance with the Constitution.

#### 2. Senior Executive – Chief Executive Officer

The Chief Executive Officer's emoluments are determined by the Board of Directors of the Parent Entity and are reviewed on an annual basis, based on the industry comparisons and overall performance.

The emolument of each Director together with the Chief Executive Officer of the Company paid for the financial year ended 30 June 2018 are as follow:

Name	Title	Directors' Fee \$	Committee Fees \$	Salary \$	Retirement & Superannuation Contributions \$	Total Emoluments \$
Mr D Schirripa	Chairman of Directors	50,000	750	-	4,821	55,571
Mr N Minicozzi	Deputy Chairman	40,000	2,250	-	4,248	46,498
Mr P Scalzi	Director	30,000	2,250	-	3,064	35,314
Mr D De Ieso	Director	30,000	-	-	2,850	32,850
Mr A Ceravolo	Director	30,000	-	-	2,850	32,850
Mr M Ruggiero	Director	30,000	3,000	-	3,358	36,358
Ms C Scalzi	Director	30,000	-	-	2,850	32,850
Mr G Fragnito	Director	30,000	-	-	2,850	32,850
Mr D Patterson	Director	30,000	2,250	-	3,239	35,489
<b>Total - Directors</b>		<b>300,000</b>	<b>10,500</b>	<b>-</b>	<b>30,130</b>	<b>340,630</b>
Mr A Demasi	Chief Executive Officer and Company Secretary	-	-	191,469	18,190	209,659
		-	-	191,469	18,190	209,659

There were no retirement benefits paid by the Consolidated Group to its Directors, CEO or other employees. There were no emoluments paid by any subsidiaries.

**Directors' Benefits – Other than Benefits Separately Disclosed in Note 23: Related Party Disclosures**

Other than that disclosed in Note 23, no Director has received or become entitled to receive during or since the financial year, a benefit because of a contract made by the Company or a related body corporate with a Director, a firm of which the Director is a member or an entity in which the Director has a substantial financial interest.

**Indemnifying Officers or Auditor**

The Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- Indemnified or made any relevant agreement for indemnifying against a liability as an officer or auditor, including costs and expenses in successfully defending legal proceedings; or
- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer or auditor for the costs or expenses to defend legal proceedings, with exception of the following:
  - The Company paid insurance premiums to insure all Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the company.

**Share options**

There are no share options that have been granted over the unissued shares of the Company.

**Proceedings on Behalf of the Company**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

**Non-Audit Services – External Auditor**

Fees for non-audit services were not paid/payable to the external auditor during the year ended 30 June 2018.

**Auditor's independence declaration**

A copy of the Auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is following this report.

Signed in accordance with a resolution of the Board of Directors.



David Schirripa  
Chairman of Directors

*Dated 5<sup>th</sup> Day October 2018*



In accordance with a resolution of the Directors of South Australian Produce Market Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 26 to 51, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standard (IFRS); and
  - b. give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the company and Consolidated Group.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the Board of Directors.



David Schirripa  
*Chairman of Directors*

Signed at Pooraka, South Australia on this 5<sup>th</sup> Day of October 2018.



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## Auditor's Independence Declaration

### To the Directors of South Australian Produce Market Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of South Australian Produce Market Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

J L Humphrey  
Partner – Audit & Assurance

Adelaide, 5 October 2018

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	Note	Consolidated		Parent	
		2018 \$	2017 \$	2018 \$	2017 \$
Revenue	2	16,104,593	15,584,026	11,718,862	11,364,566
Investment property revaluation gain		541,974	1,590,209	618,147	1,550,000
Fair value movement of interest rate swap		2,681	(153,539)	2,681	(153,539)
Employee benefits expense		(1,888,533)	(2,118,186)	(1,236,669)	(1,300,385)
Depreciation expense	3	(285,886)	(341,562)	(164,805)	(221,832)
Finance costs	3	(1,119,669)	(996,655)	(884,970)	(768,153)
Other expenses	3	(6,159,853)	(6,745,471)	(3,624,819)	(3,614,617)
Profit before income tax		7,195,307	6,818,822	6,428,427	6,856,040
Income tax expense	4	(2,211,881)	(2,300,686)	(1,933,367)	(2,062,263)
Profit after income tax		4,983,426	4,518,136	4,495,060	4,793,777
<b>Comprehensive income</b>					
Fair value movement in financial assets (net of tax)		333,547	-	333,547	-
Other comprehensive income		333,547	-	333,547	-
<b>Total comprehensive income for the year</b>		<b>5,316,973</b>	<b>4,518,136</b>	<b>4,828,607</b>	<b>4,793,777</b>
<b>Attributable to:</b>					
Owners of the parent		5,351,365	4,642,930	4,828,607	4,793,777
Non-controlling interest	32	(34,392)	(124,794)	-	-
		5,316,973	4,518,136	4,828,607	4,793,777

The accompanying notes form part of these financial statements



		Consolidated		Parent	
		2018	2017	2018	2017
	Note	\$	\$	\$	\$
Current assets					
Cash and cash equivalents	6	2,844,405	1,172,888	2,566,440	544,520
Trade and other receivables	7	929,764	1,670,976	574,582	1,242,325
Other current assets	8	696,862	521,985	561,566	378,847
Total current assets		4,471,031	3,365,849	3,702,588	2,165,692
Non-current assets					
Trade and other receivables	7	19,635	203,982	11,944,456	13,136,119
Investment properties	9	113,245,000	111,365,000	97,795,000	95,865,000
Plant and equipment	10	1,475,798	1,693,124	1,409,870	1,590,617
Financial assets	27	8,370,655	7,894,159	8,371,657	7,894,161
Total non-current assets		123,111,088	121,156,265	119,520,983	118,485,897
Total assets		127,582,119	124,522,114	123,223,571	120,651,589
Current liabilities					
Trade and other payables	11	2,901,695	1,900,227	2,506,788	1,418,322
Short-term borrowings	12	-	11,049	-	11,049
Current tax liabilities	14	870,913	727,048	647,136	546,416
Short-term provisions	13	358,527	349,748	345,295	325,289
Total current liabilities		4,131,135	2,988,072	3,499,219	2,301,076
Non-current liabilities					
Long-term borrowings	12	33,451,692	33,451,692	33,451,692	33,451,692
Long-term provisions	13	8,426	14,026	8,426	14,026
Deferred tax liabilities	14	16,964,271	16,313,829	16,732,332	16,136,627
Financial liabilities	28	150,858	153,539	150,858	153,539
Total non-current liabilities		50,575,247	49,933,086	50,343,308	49,755,884
Total liabilities		54,706,382	52,921,158	53,842,527	52,056,960
Net assets		72,875,737	71,600,956	69,381,044	68,594,629
Equity					
Issued capital	15	5,774,560	5,774,560	5,774,560	5,774,560
Reserves	31	726,297	392,750	726,297	392,750
Non-controlling interest	32	-	(829)	-	-
Retained earnings		66,374,880	65,434,475	62,880,187	62,427,319
Total equity		72,875,737	71,600,956	69,381,044	68,594,629

The accompanying notes form part of these financial statements

# Statement of Changes in Equity for the year ended 30 June 2018

	Note	Issued capital \$	Retained earnings \$	Non-controlling interests \$	Financial assets reserve \$	Share premium reserve \$	Total \$
<b>Consolidated</b>							
<b>Balance as at 30 June 2016</b>		<b>5,774,560</b>	<b>64,833,737</b>	<b>16,871</b>	-	<b>392,750</b>	<b>71,017,918</b>
Contributions by minority owners		-	-	107,094	-	-	107,094
Profit for the year		-	4,642,930	(124,794)	-	-	4,518,136
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	4,642,930	(17,700)	-	-	4,625,230
<b>Transactions with owners</b>							
Dividends paid or provided for	5	-	(4,042,192)	-	-	-	(4,042,192)
Total transactions with owners		-	(4,042,192)	-	-	-	(4,042,192)
<b>Balance as at 30 June 2017</b>		<b>5,774,560</b>	<b>65,434,475</b>	<b>(829)</b>	-	<b>392,750</b>	<b>71,600,956</b>
Profit for the year		-	5,017,818	(34,392)	-	-	4,983,426
Other comprehensive income		-	-	-	333,547	-	333,547
Total comprehensive income		-	5,017,818	(34,392)	333,547	-	5,316,973
<b>Transactions with owners</b>							
Acquisition of 15% non-controlling interest		-	(35,221)	35,221	-	-	-
Dividends paid or provided for	5	-	(4,042,192)	-	-	-	(4,042,192)
Total transactions with owners		-	(4,077,413)	35,221	-	-	(4,042,192)
<b>Balance as at 30 June 2018</b>		<b>5,774,560</b>	<b>66,374,880</b>	<b>-</b>	<b>333,547</b>	<b>392,750</b>	<b>72,875,737</b>

The accompanying notes form part of these financial statements

	Note	Issued capital \$	Retained earnings \$	Non- controlling interests \$	Financial assets reserve \$	Share premium reserve \$	Total \$
<b>Parent</b>							
<b>Balance as at 1 July 2016</b>		<b>5,774,560</b>	<b>61,740,841</b>	-	-	<b>392,750</b>	<b>67,908,151</b>
Profit for the year		-	4,728,670	-	-	-	4,728,670
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	4,728,670	-	-	-	4,728,670
<b>Transactions with owners</b>							
Dividends paid or provided for	5	-	(4,042,192)	-	-	-	(4,042,192)
Total transactions with owners		-	(4,042,192)	-	-	-	(4,042,192)
<b>Balance as at 30 June 2017</b>		<b>5,774,560</b>	<b>62,427,319</b>	-	-	<b>392,750</b>	<b>68,594,629</b>
Profit for the year		-	4,495,060	-	-	-	4,495,060
Other comprehensive income		-	-	-	333,547	-	333,547
Total comprehensive income		-	4,495,060	-	333,547	-	4,828,607
<b>Transactions with owners</b>							
Dividends paid or provided for	5	-	(4,042,192)	-	-	-	(4,042,192)
Total transactions with owners		-	(4,042,192)	-	-	-	(4,042,192)
<b>Balance as at 30 June 2018</b>		<b>5,774,560</b>	<b>62,880,187</b>	-	<b>333,547</b>	<b>392,750</b>	<b>69,381,044</b>

The accompanying notes form part of these financial statements



	Note	Consolidated		Parent	
		2018	2017	2018	2017
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Receipts from customers		16,849,537	14,207,163	12,359,621	10,340,714
Payments to suppliers and employees		(7,217,616)	(9,182,179)	(3,938,654)	(5,492,401)
Interest received		27,229	7,104	26,984	6,743
Borrowing costs		(1,119,669)	(996,655)	(887,651)	(614,614)
Income tax (paid)/ received		(1,560,523)	(1,553,906)	(1,379,891)	(1,396,950)
<b>Net cash provided by Operating activities</b>	<b>18</b>	<b>6,978,958</b>	<b>2,481,527</b>	<b>6,180,409</b>	<b>2,843,492</b>
<b>Cash flows from investing activities</b>					
Payments for investments		(1,000)	(2,619,159)	(1,000)	(2,619,159)
Contribution from non-controlling interest		-	107,094	-	-
Proceeds from sale of property, plant and equipment		433,450	-	-	-
Payments for property plant and equipment		(1,686,650)	(525,483)	(1,295,911)	(463,844)
<b>Net cash (used in) / provided by Investing activities</b>		<b>(1,254,200)</b>	<b>(3,037,548)</b>	<b>(1,296,911)</b>	<b>(3,083,003)</b>
<b>Cash flows from financing activities</b>					
(Repayment)/Proceeds from borrowings		(11,049)	2,994,329	(11,049)	2,994,329
(Repayment)/Proceeds from borrowings - related party		-	-	1,191,663	164,559
Dividends paid		(4,042,192)	(4,042,192)	(4,042,192)	(4,042,192)
<b>Net cash (used in) / provided by Financing activities</b>		<b>(4,053,241)</b>	<b>(1,047,863)</b>	<b>(2,861,578)</b>	<b>(883,304)</b>
Net increase in cash held		1,671,517	(1,603,884)	2,021,920	(1,122,815)
Cash at the beginning of financial year		1,172,888	2,776,772	544,520	1,667,335
<b>Cash at end of financial year</b>	<b>6</b>	<b>2,844,405</b>	<b>1,172,888</b>	<b>2,566,440</b>	<b>544,520</b>

The accompanying notes form part of these financial statements

**Note 1 - Statement of significant accounting policies****General information and statement of compliance**

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). South Australian Produce Market Ltd is a for-profit entity for the purpose of preparing the financial statements.

South Australian Produce Market Ltd is the Group's Ultimate Parent Company. South Australian Produce Market Ltd is a public company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Burma Road, Pooraka, SA 5095, Australia.

The consolidated financial statements for the year ended 30 June 2018 (including comparatives) were approved and authorised for issue by the Board of Directors.

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

The accounting standards that have not been early adopted for the year ended 30 June 2018 but will be applicable to the Group in future reporting periods are detailed below. Apart from these standards, we have considered other accounting standards that will be applicable in future periods but are considered insignificant to the Group.

Standard / Interpretation	Effective Date
AASB 9 Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2014-1 Amendments to Australian Accounting Standards (Part E- Financial Instruments), AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014).	1-Jan-18
AASB 15 'Revenue from Contracts with Customers'	1-Jan-18
AASB 16 'Leases'	1-Jan-19

We do not expect these accounting standards will have any material impact on our financial results upon adoption.

**Summary of accounting policies**

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

The consolidated financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**(a) Basis of consolidation**

The Group financial statements consolidate those of the parent company and its subsidiaries as of 30 June 2018. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiaries have a reporting date of 30 June.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies.

Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

**Note 1 - Statement of significant accounting policies** *continued***(b) Investments in joint ventures**

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Investments in joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

**(c) Income Tax**

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity. The entity is a tax consolidated group.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office ('ATO') and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantially enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary

differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

**Australian Tax consolidation legislation**

South Australian Produce Market Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2005. The head entity, South Australian Produce Market Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. In addition to its own current and deferred tax amounts, South Australian Produce Market Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.



**Note 1 - Statement of significant accounting policies** *continued***(d) Investment Property**

Investment property, comprising all land and buildings owned by the Consolidated Group, is held to generate long term rental yields. All tenant leases are on an arm's length basis, in accordance with AASB 140 Investment Properties. Investment properties are carried at fair value, determined annually by an independent valuer. Changes to fair value are annually recorded in the Statement of profit or loss and other comprehensive income as other income.

An independent valuation of all land and building assets (including all plant and equipment considered to be an integral component of the relevant asset) was conducted by Jones Lang LaSalle as at 30 June 2018. All buildings assets were valued at market value in accordance with AASB 140.

**(e) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

**Plant and Equipment**

Plant and equipment is measured on the costs basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal.

**Depreciation**

Depreciation is calculated both on a straight-line and diminishing value basis so as to write off the net cost of each depreciable asset over its expected useful life to the Company commencing from the time the asset is held ready for use. Depreciation rates have been reviewed during the financial year by the Directors of the Company.

The independent valuation of buildings as at 30 June 2018 included all plant and equipment that was considered to be an integral component of the relevant asset and included additions at cost since the previous valuation. Consistent with previous financial years, buildings are not depreciated for accounting purposes as they are held as investment purposes.

Class of Fixed Asset	Depreciation Rate
Plant and equipment	3.75 - 50%
Motor vehicles	18.50%
Furniture and fittings	9 - 50%
Office equipment	9 - 50%

The assets' residual values and useful lives are reviewed and adjusted where deemed appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit or loss and other comprehensive income.

**(f) Rents and Fees in Advance**

Rents and fees in advance are brought to account as income in the financial period to which they relate.

**(g) Land and Development Expenditure**

As at 30 June any construction in progress and land re-development costs are separately disclosed.

**(h) Revenue**

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer, adjusted where applicable for any amount that is prepaid.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue stated is net of the amount of goods and services tax.

**Note 1 - Statement of significant accounting policies** *continued***(i) Employee Entitlements**

Provisions are made in the Financial Statement for all employee benefits. On-costs have been recognised in calculating employee provisions. Liabilities for wages, salaries and annual leave are recognised in the provision for employee benefits in respect of employees' services up to the reporting date and are measured at amounts which are expected to be paid as the liability is settled.

Liabilities for long-service leave expected to be settled within the next 12 months from the reporting date are recognised in employee provisions and measured with the same principals as annual leave. The liability for long-service leave and annual leave expected to be settled more than 12 months from the reporting date is recognised in the provisions for employee benefits and is measured at the present value of the expected future payments to be made to settle the liability in respect of services provided by employees up to the reporting date.

**(j) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits at call with banks and other short-term highly liquid investments with original maturities of three months or less.

**(k) Financial Instruments****Recognition and Initial Measurement**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

**- Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

**Available-for-sale (AFS) financial assets**

Available-for-sale (AFS) financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

The Group's AFS financial assets include the investment in Perth Markets Limited. The investment in Perth Markets Limited is measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the financial asset reserve within equity. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

Classification and subsequent measurement of financial liabilities The Group's financial liabilities include borrowings and trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

**Note 1 - Statement of significant accounting policies** *continued***(l) Impairment of Assets**

At each reporting date, the directors review the carrying values of tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of cash-generating unit to which the asset belongs.

**(m) Comparative Figures**

Where required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**(n) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

**(o) Critical Accounting Estimates and Judgements**

The preparation of the South Australian Produce Market Limited Financial Statements requires management to make estimates and judgements based on the information available at that time that has an effect on the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities at the date of the financial report and the reported revenues and expenses during the reporting period.

On an ongoing basis, management evaluates judgements and estimates made that impact on the Financial Report. Management bases its judgements and estimates on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements and estimates about carrying values of transactions that are not readily apparent from other sources. There may be variances between estimates and actual results which are monitored by management as mentioned above.

**Key Estimates - Fair value of investment properties**

Management uses valuation experts to determine the fair value of investment properties. This involves developing estimates and assumptions consistent with how market participants would price the investment properties. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

**Key Judgements - Provision for Impairment of Receivables**

The Directors have resolved that no provision for impairment of receivables is required for the year ended 30 June 2018.

**(p) Parent entity information**

The financial information for the parent entity, South Australian Produce Market Ltd, has been prepared on the same basis as the consolidated financial statements.

**(q) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in 'finance costs'.

**(r) Leases**

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability.

See Note 1(e) for the depreciation methods and useful lives for assets held under finance lease.

The corresponding finance lease liability is reduced by lease payments net of finance charges.

The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.



**Note 1 - Statement of significant accounting policies** *continued***(s) Equity, reserves and dividend payments**

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Retained earnings include all current and prior period retained profits.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

All transactions with owners of the parent are recorded separately within equity.

**Note 2 - Revenue**

	Consolidated		Parent	
	2018 \$	2017 \$	2018 \$	2017 \$
<b>Rental Revenue:</b>				
Rents and recoveries	15,923,978	15,576,922	11,485,154	11,161,462
<b>Other Revenue:</b>				
Gain on sale of property, plant and equipment	153,386	-	-	-
Interest received	27,229	7,104	26,984	6,743
Interest recoveries	-	-	206,724	196,361
	16,104,593	15,584,026	11,718,862	11,364,566

**Note 3 - Expenses**

	Consolidated		Parent	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Expenses</b>				
Finance costs	1,119,669	996,655	884,970	768,153
Depreciation of property, plant and equipment	285,886	341,562	164,805	221,832
<b>Remuneration of auditor:</b>				
Audit of group and outgoings	29,000	27,000	29,000	27,000
There have been no non-audit services during the year.				
<b>Other expenses</b>				
Accounting and legal expenses	275,226	222,841	232,965	218,210
Bad debts (recovery)	(1,651)	13,156	-	2,159
Cleaning	253,261	205,996	242,193	187,121
Cost of sales - produce sales and recycling	380,998	534,282	-	-
Director fees	310,501	306,823	310,501	306,823
Emergency services levy	111,041	114,991	38,010	39,701
Equipment hire	137,698	145,307	72,257	79,941
Insurance expense	401,924	375,870	322,710	298,319
Land tax	712,750	726,124	427,058	436,826
Market Fresh contribution	129,960	148,333	129,960	148,333
Motor vehicle expenses	51,785	46,878	4,731	4,440
Other	642,716	995,959	546,312	392,374
Professional fees	216,160	439,151	126,477	194,194
Rates and taxes	789,502	755,190	206,059	194,174
Rent expense	510,782	424,929	411,783	424,929
Repairs and maintenance	442,652	560,112	290,531	417,660
Security	179,699	180,400	176,576	171,256
Subcontractor expenses	345,300	282,225	-	-
Water rates	269,549	266,904	86,696	98,156
	6,159,853	6,745,471	3,624,819	3,614,616

**Note 4 - Income tax expense**

	Consolidated		Parent	
	2018	2017	2018	2017
	\$	\$	\$	\$
The components of Tax Expense comprise:				
Current tax	1,704,388	1,628,849	1,480,611	1,448,217
Deferred tax	507,493	671,837	452,756	614,046
	2,211,881	2,300,686	1,933,367	2,062,263
The prima facie tax on profit before income tax is reconciled to the income tax as follows:				
Prima facie tax payable on profit before income tax at 30% (2017: 30%)	2,158,592	2,045,647	1,928,528	2,056,812
Add: Tax Effect of:				
- provision for holiday pay	(3,178)	7,386	190	4,643
- provision for long service leave	4,045	(3,988)	4,045	(3,988)
- non-controlling interest	-	37,438	-	-
- other non-allowable items	302,538	471,200	197,026	279,452
Less: Tax Effect of:				
- revaluation gain	(162,592)	(477,063)	(185,444)	(465,000)
- allowable deduction for bitumen works	(269,602)	(318,300)	(211,560)	(332,082)
- other allowable items	(325,415)	(133,471)	(252,173)	(91,620)
	1,704,388	1,628,849	1,480,612	1,448,217

**Note 5 - Dividends**

Final Distribution Paid	2,021,096	2,021,096	2,021,096	2,021,096
Interim Distribution Paid	2,021,096	2,021,096	2,021,096	2,021,096
Franking Account	431,981	603,825	431,981	603,825

**Note 6 - Cash and cash equivalents**

Cash on hand	500	900	500	900
Cash at bank	2,843,905	1,171,988	2,565,940	543,620
	2,844,405	1,172,888	2,566,440	544,520

**Reconciliation of cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the items in the statement of financial position as follows:

Cash and cash equivalents	2,844,405	1,172,888	2,566,440	544,520
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A security interest over cash and cash equivalents has been provided for certain debt. Refer to Note 12 - Borrowings.



**Note 7 - Trade and other receivables**

	Consolidated		Parent	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Current</b>				
Trade debtors	925,138	1,333,216	569,956	1,104,999
Provision for impairment	-	(10,997)	-	-
	925,138	1,322,219	569,956	1,104,999
Other debtors	4,626	348,757	4,626	137,326
	929,764	1,670,976	574,582	1,242,325
<b>Non-current</b>				
Trade debtors	19,635	203,982	19,635	203,982
Loan - Subsidiaries	-	-	11,924,821	12,932,137
	19,635	203,982	11,944,456	13,136,119

All of the Group's trade and other receivables have been reviewed for indicators of impairment.

No trade receivables were found to be impaired.

	Gross amount	Past due & impaired	Past due but not impaired (days overdue)				Within initial trade terms
	\$	\$	<30	31-60	61-90	90+ days	\$
			\$	\$	\$	\$	\$

**2018****Consolidated Group**

Trade Receivables	925,138	-	211,801	72,054	29,751	151,978	459,554
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**Parent Entity**

Trade Receivables	569,956	-	123,884	32,296	10,579	131,139	272,058
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**2017****Consolidated Group**

Trade Receivables	1,333,216	(10,997)	221,138	200,557	40,464	148,804	722,253
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**Parent Entity**

Trade Receivables	1,104,999	-	154,840	172,176	25,474	115,044	637,465
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**Note 8 - Other current assets**

	Consolidated		Parent	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Current</b>				
Prepaid recycling supplies and inventory	-	70,872	-	-
Prepayments - other	696,862	451,113	561,566	378,847
	696,862	521,985	561,566	378,847

**Note 9 - Investment properties**

	Consolidated		Parent	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Investment Properties:</b>				
Land	56,745,000	53,865,000	48,645,000	46,565,000
Buildings	56,500,000	57,500,000	49,150,000	49,300,000
Total Investment Properties	113,245,000	111,365,000	97,795,000	95,865,000

**Movements in carrying amounts**

Movements in the carrying amounts for investment properties is as follows:

Consolidated Group	Investment Properties \$
<b>Balances at 1 July 2016</b>	109,865,000
<b>Balances at 1 July 2017</b>	111,365,000
Additions - at cost	1,419,573
Depreciation expense	(81,547)
Revaluation increment	541,974
<b>Carrying amounts at 30 June 2018</b>	113,245,000

Parent Entity	Investment Properties \$
<b>Balances at 1 July 2017</b>	95,865,000
Additions - at cost	1,311,853
Revaluation increment	618,147
<b>Carrying amounts at 30 June 2018</b>	97,795,000

Investment properties are leased out on operating leases.

Rental income amounts to \$8,499,563 (2017: \$8,233,056) included in revenue on a consolidate basis.

**Note 10 - Plant and equipment**

	Consolidated		Parent	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Plant, Equipment and Vehicles</b>				
Plant, equipment & vehicles - at cost	4,442,757	4,455,744	3,261,461	3,277,403
Less: accumulated depreciation	(2,966,959)	(2,762,620)	(1,851,591)	(1,686,786)
Total plant, equipment and vehicles	1,475,798	1,693,124	1,409,870	1,590,617
Total Plant and Equipment	1,475,798	1,693,124	1,409,870	1,590,617

**Movements in carrying amounts**

Movements in the carrying amounts of plant and equipment is as follows:

	Plant and Equipment \$
<b>Consolidated Group</b>	
<b>Balances at 1 July 2016</b>	1,418,994
Additions - at cost	511,303
Depreciation expense	(237,173)
<b>Carrying amounts at 30 June 2017</b>	1,693,124
<b>Balances at 1 July 2017</b>	1,693,124
Additions - at cost	52,914
Disposals - carrying value	(65,901)
Depreciation expense	(204,339)
<b>Carrying amounts at 30 June 2018</b>	1,475,798

	Plant and Equipment \$
<b>Parent Entity</b>	
<b>Balances at 1 July 2016</b>	1,348,605
Additions - at cost	463,844
Depreciation expense	(221,832)
<b>Carrying amounts at 30 June 2017</b>	1,590,617
<b>Balances at 1 July 2017</b>	1,590,617
Additions - at cost	50,594
Disposals - carrying value	(66,536)
Depreciation expense	(164,805)
<b>Carrying amounts at 30 June 2018</b>	1,409,870

**Note 11 - Trade and other payables**

	Consolidated		Parent	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Current Unsecured Liabilities:</b>				
Trade payables	481,468	351,857	481,468	129,988
Sundry payables and accruals	2,420,227	1,548,370	2,025,320	1,288,334
	2,901,695	1,900,227	2,506,788	1,418,322

All amounts are short-term. The carrying values of trade payables and other payables are considered to be a reasonable approximation of fair value.

**Note 12 - Borrowings**

	Consolidated		Parent	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Current</b>				
Finance lease liability	-	11,049	-	11,049
<b>Non-current</b>				
Bank bills secured	33,451,692	33,451,692	33,451,692	33,451,692
Finance lease liability	-	-	-	-
	33,451,692	33,451,692	33,451,692	33,451,692

The bank bills are secured by:

- a guarantee unlimited as to the amount (\$4,500,000) by APML No. Two Pty Ltd
- registered equitable mortgage by South Australia Produce Market Limited over the whole of its assets and undertakings including uncalled capital.
- a first registered mortgage over the APML No. One Pty Ltd property located at Diagonal Road, Pooraka SA.
- a first registered mortgage over the South Australian Produce Market Limited property located at Market Lane, Pooraka SA.
- a first registered mortgage over the South Australian Produce Market Limited vacant land property located at Commerce Crescent, Pooraka SA.

The covenants for the above bank loans relate to interest cover. All required covenants have been met by the Company.



Note 13 - Provisions	Consolidated		Parent	
	2018 \$	2017 \$	2018 \$	2017 \$
<b>Current</b>				
Provision for dividends	3,500	3,210	3,500	3,210
Employee benefits	355,027	346,538	341,795	322,079
	358,527	349,748	345,295	325,289
<b>Non-current</b>				
Employee benefits	8,426	14,026	8,426	14,026

Note 14 - Tax	Consolidated		Parent	
	2018 \$	2017 \$	2018 \$	2017 \$
<b>Current</b>				
Income Tax	870,913	727,048	647,136	546,416
<b>Non-current</b>				
Deferred Tax Liabilities	16,964,271	16,313,829	16,732,332	16,136,627

Note 15 - Issued capital	Consolidated		Parent	
	2018 \$	2017 \$	2018 \$	2017 \$
5,774,560 (2017: 5,774,560) fully paid Ordinary shares	5,774,560	5,774,560	5,774,560	5,774,560
Comprising:				
Ordinary Grower Shares	1,964,514	1,986,260		
Ordinary Wholesaler Shares	2,403,443	2,413,043		
Ordinary Retailer Shares	513,490	620,740		
Ordinary Unclassified Shares	893,113	754,517		
	5,774,560	5,774,560		

	Note	2018 \$	2017 \$	2018 \$	2017 \$
Total borrowings	12	33,451,692	33,462,741	33,451,692	33,462,741
Trade and other payables	11	2,901,695	1,900,227	2,506,788	1,418,322
Less cash and cash equivalents	6	(2,844,405)	(1,172,888)	(2,566,440)	(544,520)
Net debt		33,508,982	34,190,080	33,392,040	34,336,543
Total equity		72,875,737	71,600,956	69,381,044	68,594,629
Total capital		106,384,719	105,791,036	102,773,084	102,931,172
Gearing Ratio		31%	32%	32%	33%

**Note 16 - Capital commitments**

Capital commitment in current year related to the solar project (currently under construction) with the outstanding capital expenditure in relation to the project is \$7,550,395 at year end. (2017: Nil).

**Note 17 - Contingent liabilities and contingent assets**

There were no contingent liabilities or contingent assets recorded by the Company as at the date of this report (2017: Nil).

**Note 18 - Cash flow information**

	Consolidated		Parent	
	2018	2017	2018	2017
	\$	\$	\$	\$
Reconciliation of cash flows from operations with profit after income tax:				
Profit after income tax	4,983,426	4,518,136	4,495,060	4,728,670
Non-cash flows in profit				
- revaluation gain	(541,974)	(1,590,209)	(618,147)	(1,550,000)
- depreciation	285,886	341,562	164,805	221,832
- fair value movement on interest rate swap	(2,681)	153,539	(2,681)	153,539
- income tax effect through reserves	(142,949)	-	(142,949)	-
- (gain)/ loss on sale of asset	(153,386)	-	-	-
Changes in assets and liabilities:				
- (increase)/decrease in trade receivables	742,212	(1,225,719)	667,743	(1,017,109)
- (increase)/decrease in other current assets	9,470	(243,882)	(182,719)	(30,447)
- increase/(decrease) in trade payables	1,001,468	(178,328)	1,088,466	(278,810)
- increase/(decrease) in tax liability	794,307	746,780	696,425	665,313
- increase/(decrease) in provisions	3,179	(40,352)	14,406	(49,496)
	6,978,958	2,481,527	6,180,409	2,843,492

**Non-cash financing and investing activities**

There were no transactions or events during the year which affected assets and liabilities and did not result in cash flows

*Credit standby arrangements with banks to provide funds and support facilities.*

Credit facility	33,567,000	33,567,000	33,567,000	33,567,000
Credit facility utilised	(33,451,692)	(33,451,692)	(33,451,692)	(33,451,692)
Unused credit facility	115,308	115,308	115,308	115,308

**Note 19 - Lease commitments**

	Consolidated		Parent	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>(a) Operating Lease Commitments</b>				
Not later than 1 year	422,738	405,074	422,738	405,074
Later than 1 year but not later than 5 years	1,047,167	1,442,829	1,047,167	1,442,829
	1,469,905	1,847,903	1,469,905	1,847,903

There is an operating lease for the building rental on Warehouse K from Pooraka Fruit & Vegetable Supply Pty Ltd ending in August 2022. Annual rental payments including GST are \$364,252.

There are other two lease entered into with the Commonwealth Bank for electricity meter rentals ending February 2019 and June 2020, respectively. Annual rental payments are \$62,990.

	2018	2017	2018	2017
	\$	\$	\$	\$
<b>(b) Finance lease commitments</b>				
Not later than 1 year	-	11,049	-	11,049
Later than 1 year but not later than 5 years	-	-	-	25
Minimum lease payments	-	11,074	-	11,074
Less future finance charges	-	(25)	-	(25)
Present value of minimum lease payments	-	11,049	-	11,049

The finance lease is with the Commonwealth Bank for a Ford Ranger.

The lease was entered into in August 2013 and completed during current year.

**Note 20 - Financial risk management****Risk management objectives and policies**

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities is summarised below. The main types of risks are interest rate risk and liquidity risk.

	Consolidated		Parent	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	2,844,405	1,172,888	2,566,440	544,520
Trade and other receivables- current	929,764	1,670,976	574,582	1,242,325
Trade and other receivables- non-current	19,635	203,982	11,944,456	13,136,119
Financial assets	8,370,655	7,894,159	8,371,657	7,894,161
	12,164,459	10,942,005	23,457,135	22,817,125
<b>Financial liabilities</b>				
Market rate loans	33,451,692	33,451,692	33,451,692	33,451,692
Finance leases	-	11,049	-	11,049
Interest rate swap	150,858	153,539	150,858	153,539
Trade and other payables	2,901,695	1,900,227	2,506,788	1,418,322
	36,504,245	35,516,507	36,109,338	35,034,602

**Note 20: Financial risk management (cont)****Interest Rate Risk**

The Group's policy is to minimise interest rate cash flow risk exposures on market rate loans. The interest rates are variable therefore the Group has entered into an interest rate swap agreement to hedge against unfavorable changes in interest rates. The fixed rate on \$10,000,000 of the market rate loans is 2.65%. The following illustrates the sensitivity of profit and equity to a 1% change in interest rates on the remaining amount.

Year ended 30 June 2018	\$
+/- 1% in interest rates	235,000

**Liquidity Risk**

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt payments for market rate loans as well as cash inflows and outflows due in day-to-day business. The timing of cash outflows is presented below:

Consolidated group 2018	within 6 months	6-12 months	1-5 years	greater than 5 years	Total
	\$	\$	\$	\$	\$

**Financial assets**

Trade and other receivables- current	929,764	-	-	-	929,764
Trade and other receivables- non-current	-	-	19,635	-	19,635
<b>Total financial assets</b>	<b>929,764</b>	<b>-</b>	<b>19,635</b>	<b>-</b>	<b>949,399</b>

**Financial liabilities**

Trade and other payables	2,901,695	-	-	-	2,901,695
Borrowings - lease liability	-	-	-	-	-
Borrowings - bank loans	-	-	33,451,692	-	33,451,692
Interest rate swap	-	-	150,858	-	150,858
<b>Total financial liabilities</b>	<b>2,901,695</b>	<b>-</b>	<b>33,602,550</b>	<b>-</b>	<b>36,504,245</b>

Consolidated group 2017					
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**Financial assets**

Trade and other receivables - current	1,670,976	-	-	-	1,670,976
Trade and other receivables - non-current	-	-	203,982	-	203,982
<b>Total financial assets</b>	<b>1,670,976</b>	<b>-</b>	<b>203,982</b>	<b>-</b>	<b>1,874,958</b>

**Financial liabilities**

Trade and other payables	1,900,227	-	-	-	1,900,227
Borrowings - lease liability	11,049	-	-	-	11,049
Borrowings - bank loans	-	-	33,451,692	-	33,451,692
Interest rate swap	-	-	153,539	-	153,539
<b>Total financial liabilities</b>	<b>1,911,276</b>	<b>-</b>	<b>33,605,231</b>	<b>-</b>	<b>35,516,507</b>

The Board has determined that the carrying values of financial assets and financial liabilities are consistent with fair values. The interest rate swap has been valued by the Commonwealth Bank of Australia using the standard pricing methodology.



**Note 20: Financial risk management (cont)**

Parent entity 2018	within 6 months	6-12 months	1-5 years	greater than 5 years	Total
	\$	\$	\$	\$	\$
<b>Financial assets</b>					
Trade and other receivables- current	574,582	-	-	-	574,582
Trade and other receivables- non-current	-	-	11,944,456	-	11,944,456
<b>Total financial assets</b>	574,582	-	11,944,456	-	12,519,038
<b>Financial liabilities</b>					
Trade and other payables	2,506,788	-	-	-	2,506,788
Borrowings- lease liability	-	-	-	-	-
Borrowings- bank loans	-	-	33,451,692	-	33,451,692
Interest rate swap	-	-	150,858	-	150,858
<b>Total financial liabilities</b>	2,506,788	-	33,602,550	-	36,109,338
<b>Parent entity 2017</b>					
<b>Financial assets</b>					
Trade and other receivables - current	1,242,325	-	-	-	1,242,325
Trade and other receivables - non-current	-	-	13,136,119	-	13,136,119
<b>Total financial assets</b>	1,242,325	-	13,136,119	-	14,378,444
<b>Financial liabilities</b>					
Trade and other payables	1,418,322	-	-	-	1,418,322
Borrowings- lease liability	11,049	-	-	-	11,049
Borrowings- bank loans	-	-	33,451,692	-	33,451,692
Interest rate swap	-	-	153,539	-	153,539
<b>Total financial liabilities</b>	1,429,371	-	33,605,231	-	35,034,602

The Board has determined that the carrying values of financial assets and financial liabilities are consistent with fair values. The interest rate swap has been valued by the Commonwealth Bank of Australia using the standard pricing methodology.

**Note 21 - Transactions with key management personnel**

Key management of the group are the Board of Directors and the Chief Executive Officer.

	Consolidated		Parent	
	2018 \$	2017 \$	2018 \$	2017 \$
<b>Short term employee benefits</b>				
Salaries & Directors fees	464,130	460,043	464,130	460,043
Other- salary sacrifice	37,840	30,500	37,840	30,500
	501,970	490,543	501,970	490,543
<b>Post-employment benefits</b>				
Superannuation Contributions	48,319	40,283	48,319	40,283
	48,319	40,283	48,319	40,283
<b>Total Remuneration</b>	<b>550,289</b>	<b>530,826</b>	<b>550,289</b>	<b>530,826</b>

**Note 22 - Financial reporting by segments**

The Company operates wholly within Australia and owns and operates a large scale facility for the wholesale marketing of fresh produce.

**Note 23 - Related party disclosures**

Directors and Director-related entities hold directly, indirectly or beneficially as at balance date the following number of shares in this Company. Details of each Director's holdings are listed in the accompanying Director's Report.

	Consolidated		Parent	
	2018 No.	2017 No.	2018 No.	2017 No.
South Australian Produce Market Ltd - Ordinary Shares	1,508,499	1,492,422	1,508,499	1,492,422

The group used the legal and accounting services of director related entities over which they exercise significant influence. The amounts billed were based on normal market rates and amounts to:

	Consolidated		Parent	
	2018 \$	2017 \$	2018 \$	2017 \$
Schirripa Evans Lawyers	206,011	206,863	206,011	206,863
Bentleys	41,250	45,595	41,250	45,595
Minicozzi Solicitors	37,930	10,382	37,930	10,382
	285,191	262,840	285,191	262,840

There was \$1,597 outstanding to Minicozzi Solicitors at year end (2017: nil).

Legal fees paid to the director related law firms noted above may include fees paid to barristers acting on behalf of the Company and other disbursements incurred on the Company's behalf. Fees paid to

Director related law and accounting firms are charged at normal commercial rates. Detailed timesheets are provided to the Board and Directors whose firms provide professional services do not participate in the approval for payment of any fees paid to their respective firms.

**Note 23 - Related party disclosures (cont)**

The Group transacted with several directors in the company and their related entities as customers, in relation to leased premises and market services. The amounts charged were based on normal market rates and amounted to:

	Consolidated		Parent	
	2018	2017	2018	2017
	\$	\$	\$	\$
P & E Scalzi Services Pty Ltd *	813,202	256,269	596,290	256,269
Paseva Pty Ltd ATF P & E Scalzi Superannuation Fund	166,868	151,620	166,868	151,620
Thorndon Park Produce Co Pty Ltd	5,626	5,285	5,626	5,285
Dublin Fruit & Veg	3,358	3,300	3,300	3,300
R Ceravolo & Co Pty Ltd	567,679	308,967	567,679	308,967
Pooraka Fruit & Vegetable Supply	43,371	57,365	43,371	57,365
Mt Barker Fresh Markets	3,267	-	3,267	-
Scalzi Produce	161	-	161	-
Ceravolo Orchards Pty Ltd	5,182	-	5,182	-
	1,608,714	782,806	1,391,744	782,806
The outstanding balances at the reporting date were as follows:				
P & E Scalzi Services Pty Ltd	7,152	12,548	7,152	12,548
Paseva Pty Ltd ATF P & E Scalzi Superannuation Fund	3,003	10,314	3,003	10,314
R Ceravolo & Co Pty Ltd	60,217	52,917	60,217	52,917
Pooraka Fruit & Vegetable Supply	21,572	6,036	21,572	6,036
Mt Barker Fresh Markets	219	-	219	-
Ceravolo Orchards Pty Ltd	156	-	156	-
	92,319	81,815	92,319	81,815
Lease payments to Pooraka Fruit and Vegetable Supply	411,783	397,941	411,783	397,941

\* 2018 FY includes sale of items of plant and equipment

**Transactions with Joint Ventures**

During 2018, South Australian Produce Market provided contribution to Market Fresh of \$129,960 (2017: \$148,333). At reporting date there is no amounts owed to or by Market Fresh (2017: Nil).

**Note 24 - Superannuation commitments**

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

**Note 25 - Events after the reporting date**

On 5 July 2018 South Australian Produce Market Ltd successfully bid for 937,500 shares in Brisbane Markets Ltd as part of a placement issue for \$3,000,000. The first instalment of \$1,500,000 was paid on 20 July 2018 and the final instalment is due in April 2019.

There are no other events subsequent to 30 June 2018 that would have a material effect on the 2018 Financial Report (2017: Nil).

**Note 26 - Controlled entities**

Controlled entities	Country of incorporation	Percentage owned	
		2018	2017
APML No. One Pty Ltd	Australia	100%	100%
APML No. Two Pty Ltd	Australia	100%	100%
5101 Commerce Crescent Pty Ltd	Australia	100%	100%
5102 Commerce Crescent Pty Ltd	Australia	100%	100%
Australian Produce Markets Pty Ltd	Australia	100%	100%
Adelaide Market Pty Ltd	Australia	100%	100%
9 Burma Road Pooraka Pty Ltd	Australia	100%	100%
Australian Produce Cases and Recycling Pty Ltd	Australia	100%	100%
Australian Produce Collective Pty Ltd	Australia	100%	85%
Produce Markets Australia Pty Ltd	Australia	100%	100%

**Controlled Entities Acquired**

No controlled entities were acquired during the year.

**Control Entity Disposal**

No controlled entities were disposed during the year.

**Controlled Entities with Ownership Interest of 50% or Less**

No controlled entities are held by the Parent Entity with an ownership interest of 50% or less.

**Note 27 - Other financial assets**

	Consolidated		Parent	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Non-Current</b>				
Unlisted Investments - at cost				
- Shares in Controlled Entities	-	-	1,002	2
- Shares in Perth Markets Ltd & Perth Markets Land Trust (PML) (non-controlling interest)	7,894,159	7,894,159	7,894,159	7,894,159
- Cumulative Fair Value Adjustment on PML shares	476,496	-	476,496	-
	8,370,655	7,894,159	8,371,657	7,894,161

**Note 28 - Financial Liabilities****Non-Current**

- Interest rate swap	150,858	153,539	150,858	153,539
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**Note 29 - Investments accounted for using the equity method**

The Group has one material joint venture, Market Fresh SA Pty Ltd (Market Fresh). Market Fresh was incorporated in Australia and it was formed for the purpose of establishing a jointly owned marketing company to promote and increase the volume of fruit and vegetable produce sold through the South Australian Produce Market.

	Percentage owned	
	2018	2017
Proportion of ownership interests held by the group	50%	50%

The investment in Market Fresh is accounted for using the equity method in accordance with AASB 128.

Market Fresh SA is in a deficit position at 30 June 2018 and as such the carrying value of the investment is nil.

South Australian Produce Market Ltd paid share capital of \$50 upon the set up of the new company.

**Note 30 - Changes in accounting policy**

There were no changes in accounting policy for the year ended 30 June 2018.

**Note 31 - Reserves**

Reserves represent share premiums and fair value adjustments on available for sale financial assets.

**Note 32 - Non-controlling interest**

	Consolidated		Parent	
	2018	2017	2018	2017
	\$	\$	\$	\$
Balance at the beginning of the year	(829)	16,871	-	-
Contributions from minority interest	-	107,094	-	-
Share of profit (loss) for the year	(34,392)	(124,794)	-	-
Acquisition of non-controlling interest <sup>1</sup>	35,221	-	-	-
Balance at the end of the year	-	(829)	-	-

<sup>1</sup> During the year the Group acquired the remaining 15% of Australian Produce Collective Pty Ltd thereby eliminating the non-controlling interest during the year.

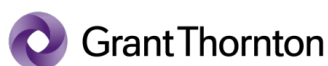
**Note 33 - Company details**

The registered office of the Consolidated Group is:

Burma Road  
Pooraka SA 5095

The principal place of business of the Consolidated Group is:

Burma Road  
Pooraka SA 5095



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## Independent Auditor's Report

### To the Members of South Australian Produce Market Limited

#### Report on the audit of the financial report

##### Opinion

We have audited the financial report of South Australian Produce Market Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- b 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, 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.

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

If, based on the work we have performed, 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*. The Directors' responsibility also includes 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 Group's ability 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 have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial report**

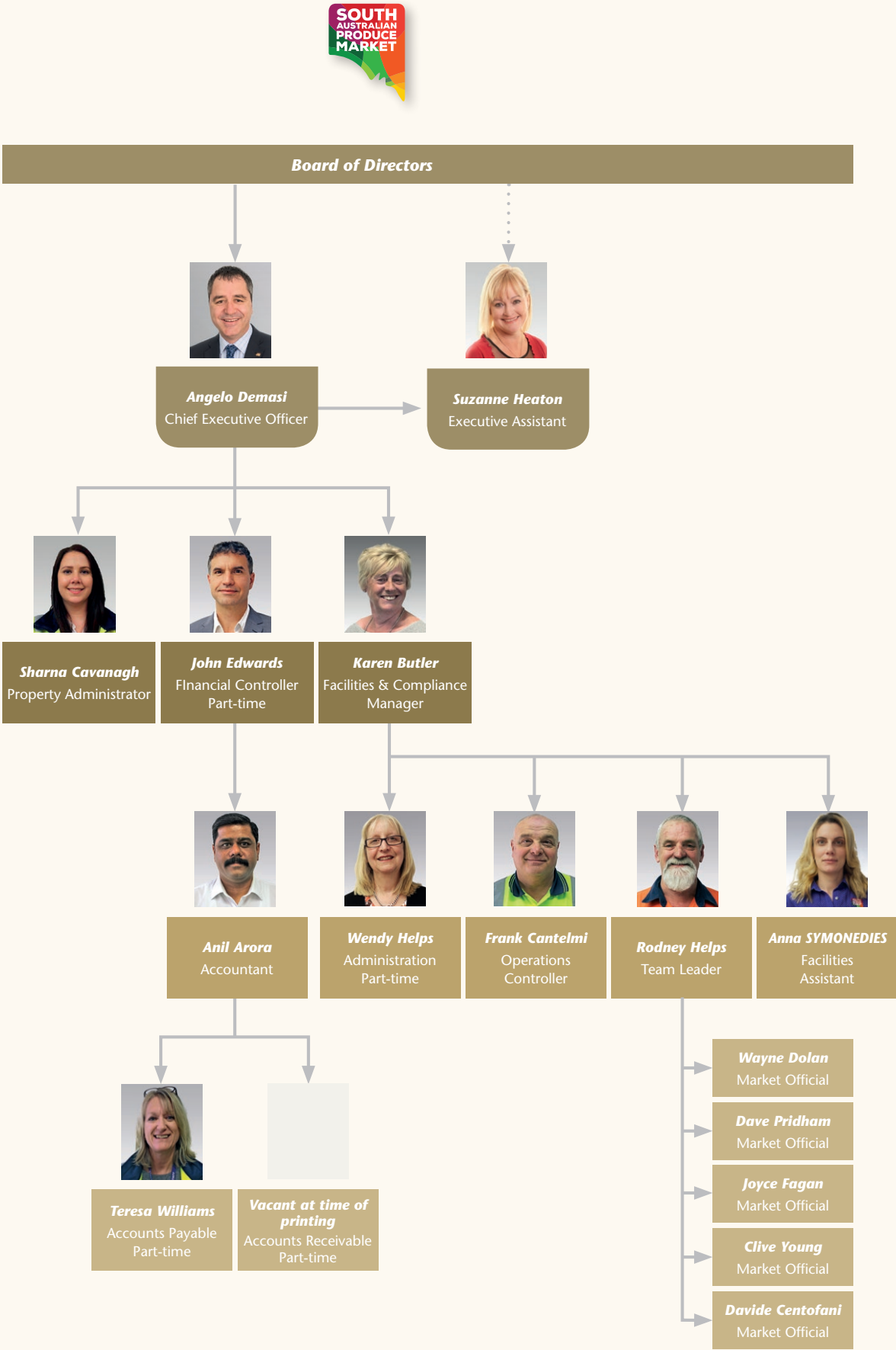
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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 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.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

J L Humphrey  
Partner – Audit & Assurance

Adelaide, 5 October 2018



\* This Organisational Chart does not include business units or subsidiary companies.



**Directors**

David Schirripa (Chairman)  
Nicola Minicozzi (Deputy Chairman)  
Pasquale Scalzi  
Daniele De Ieso  
Antonio Ceravolo  
Michael Ruggiero  
Christine Scalzi  
Girolamo Fragnito  
Derrick Patterson

**Secretary**

Angelo Demasi

**Registered office**

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Facsimile: 08 8349 6574  
Internet site: [www.saproducemarket.com.au](http://www.saproducemarket.com.au)

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**Banker**

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213 Glynburn Road  
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**Share registrar**

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