

# Annual Report 2019

South Australian Produce Market Limited  
**innovate & rejuvenate**

**SOUTH  
AUSTRALIAN  
PRODUCE  
MARKET**





## Our Vision

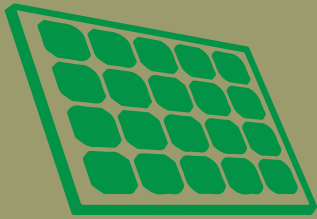
By 2030 the Market will be an innovative and fully developed mixed use facility that includes a Fresh Food Market, a Transport and Cold Chain Logistics Hub and a Packing and Processing Centre.

## Our Purpose

To promote shareholder's interests through the provision of modern and innovative market facilities and services.



# 2019 Achievements



Completion of Australia's first onsite fully integrated and automated 7.5 megawatt solar microgrid, electricity generation and storage system



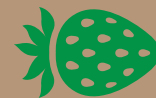
Celebration of the company's 30-year anniversary



Completion of operational/logistics strategy



Completion of 5-year 2019/2024 strategic plan



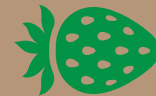
Strong public relations representation for the Strawberry Industry



Completion of 41 store leases



Refurbishment of the cafe and exterior of the administration building



State Government funding of \$50,000 for metal detection for the Strawberry Industry



Procurement of cleaning and waste tender



Tender of insurance and risk broker



Tender of audit services



Tender of banking finance for Microgrid project



Commenced review of the company's risk management systems and disaster recovery plan



1,320,000kg of fresh produce donated from industry to Foodbank



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# Chairman and CEO Report 2019

On behalf of the South Australian Produce Market Limited (SAPML) Board of Directors, we present the 2019 SAPML Annual Report.

The 2019 Financial Year has included many noteworthy achievements, many of which have been the result of efforts by the SAPML team over many years.

The strong focus on consolidation of the Wholesaling sector within our Market led to the successful signing of 41 Wholesaler store leases which expired in the first half of 2019. This has led to the Wholesaling sector in the SAPML investing within the Market and transforming the trading floor infrastructure.

The completion of the Market flagship and ground-breaking integrated and automated onsite solar Microgrid, electricity generation and storage system (**Solar Microgrid and Back-Up System**) has been a key milestone in the development of the Market precinct. It is considered as a first in Australia with many similar projects being built or in the planning to be built.

Consistent with our company's sustainability objectives included in our Strategic Plan, we support Australia's commitment under the Paris Agreement. SAPML has reduced the Market's carbon emissions by 5% in 2019 since the Microgrid was turned on in May 2019. The direct effect of the Microgrid will ensure carbon emissions will reduce up to 32% FY20.

The SAPML Board completed a 5-year Strategic Plan for 2019-2024 and continue to enhance SAPML's

Chairman  
**David Schirripa**



Governance policies. This year also marked the 30-year anniversary celebration of the move of the Market from the East End to the Pooraka site.

We are also delighted with the renewal of the Market Café area which has created a warm and vibrant focal area that all Market users and visitors can enjoy.

The Board focused on further developing the company's Risk Management Strategy and updating our Disaster Recovery Plan. The appointment of Marsh Risk Consultants was the first step in reviewing our current policies and the Board will continue to review these policies and risks in FY20.

## Financial Results

We are proud of our team who have continued to execute our strategy and delivered stability in terms of operational and financial measures. Property fundamentals have been steady and have seen a slight increase during the year achieving like-for-like net property income growth of 1.7% and a steady 99.32% occupancy across the Group's property holdings.

The FY19 consolidated profit after income tax, excluding the Revaluation Gain and Fair Value Movement was \$5.05M, 2% up from FY18 of \$4.95M. This is the profit measure preferred by the Board to best reflect the underlying earnings of the business.

CEO  
**Angelo Demasi**



In contrast, the Statutory Profit after income tax for the year was \$3.34M which was \$1.64M lower than FY18. The decrease in Statutory Profit after income tax was lower primarily due to two main reasons.

The most significant reason was a property revaluation loss of \$1.79M for the year. The expenditure on the Solar Microgrid and Back-Up System has been capitalised at the total project cost which ignores the contribution of the SA Government Grant of \$2.25M. The Grant received is treated as prepaid income and will be amortized. This means that the Solar Microgrid and Back-Up System is recorded on the assets at a higher value than SAPML has paid and has led to a once off revaluation loss.

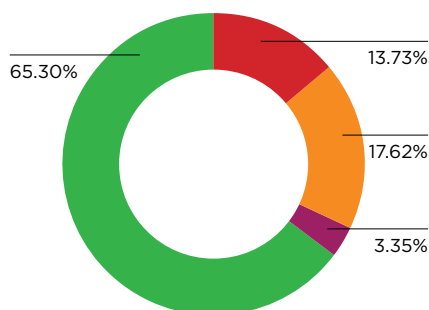
Jones Lang LaSalle noted in their Annual Valuation Report that the valuation they adopted for the Solar Microgrid and Back-Up System is conservative as there was no history of performance at the time of valuation.

The other contributing factor was that the fair value determination of the interest rate swap held by the Company. Under accounting standards, the Company is required to bring any change in the value of any financial assets, such as an interest rate swap, to account in its income statement. The interest rate swap had a \$302k negative impact on profit as a result of declining interest rates. The

## Chairman and CEO Report 2019

### Contributions to rental income as at 30 June 2019

- Market stores and warehouses 65.30%
- Auscold facility 13.73%
- Blackstone land 17.62%
- 9-15 Burma Road 3.35%



interest rate swap was entered into in 2017 as insurance against rising interest rates on a portion of the Company's bank debt. As interest rates drop, the value of the interest rate swap is worth less to SAPML however, this is offset by lower interest expenses.

Revenue for FY19 was at \$18.18M (2018: \$18.12M). Revenue from tenants within the Market precinct was steady for the year. Lost income from the business units that ceased operating during the previous financial year were offset by increases in revenue from external tenancies and an increase in distributions from financial investments. External tenancies to the Market precinct now account for 34.7% of net rental income as a result of SAPML continuing to diversify its portfolio of assets outside the Market precinct.

As reported last year, SAPML continues to transform the

business whilst maintaining Market operations and property and investment portfolios. This has again been achieved whilst continuing to strengthen the balance sheet through a mix of capital works and share acquisitions.

During the year, SAPML invested 937,500 shares in Brisbane Markets Limited (BML), participating in a capital raising at \$3.20 per share (\$3M). This investment has already seen an increase showing a fair value of \$3.28M in FY19. The value of the Company's investment in Perth Markets Limited (PML) increased by \$570k to \$8.94M. The total investment in BML and PML now stands at \$12.22M which is consistent with the accounting requirement to revalue financial assets to their fair market value.

The increase in the total value of investment properties, including the addition of the Solar Microgrid and Back-Up System and the increase in the value of the financial investments in BML and PML, resulted in Gross Assets for the Group increasing to \$137.57M from \$127.6M in 2018.

Shares in the company continue to trade above the Net Asset Backing of \$12.60. In FY19 30,525 shares in the Company were traded at an average selling price of \$14.83 per share in FY19.

The SAPML Audit, Corporate Governance and Finance Committee tendered the Company's Audit work. After an extensive review of the submissions received, it was decided to retain the current Auditors, Grant Thornton Australia Ltd.

### Strategic Plan 2019-2024

The SAPML Board and Management spent considerable time developing the new 5-year Strategic Plan reviewing the Purpose and Vision for the Company. Six Strategic Challenges were identified, and strategies have been developed to address these.

A snapshot of the Plan is shown on the following pages which SAPML Board and Management have commenced implementing.





## Strategic Direction

South Australian Produce Market Limited exists to deliver shareholder value through serving the fresh produce industry. To do so requires us to develop and improve the value of our land assets.

### Strategic Intent

To provide the most innovative and efficient facility for trading fresh produce and complimentary products in South Australia, with an orderly trading environment, access to all industry participants in one location whilst diversifying income streams to optimize assets and returns to shareholders.

### Our Picture of Success

Our success is a level of sustainable profit and property value that delivers shareholder value. Our performance will be measured by Return on Equity (RoE) at the group level and Return on Investment (ROI) at business / project level along with other key metrics

### Strategic Objectives

To support this performance we need to achieve:

- Disciplined and sustainable investment in site development
- Efficient and fit for purpose operations
- High occupancy and customer satisfaction
- Increasing property value

### Our Vision

By 2030 the Market will be an innovative and fully developed mixed use facility that includes a Fresh Food Market, a Transport and Cold Chain Logistics Hub and a Packing and Processing Centre.

### Our Purpose

To promote shareholder's interests through the provision of modern and innovative market facilities and services

### Our Values

SAPML requires a set of values that define the principles, standards and behaviours of the organisation. The principles, standards and behaviors of employees and ongoing interaction with shareholders, customers, suppliers and the people of South Australia are governed by these values.



## Our Values

<b>Innovation Focus</b>	Innovation is required to meet the changing needs of Market Users. We recognise the importance of all Market Users to the success of our business and will work in consultation with them to ensure that our facilities and services meet their needs and support their business viability and growth.
<b>Shareholder Value</b>	Our aim is to deliver positive and sustainable results to shareholders.
<b>Fresh</b>	Our market traders supply the freshest Produce all year round.
<b>Local</b>	We are locally owned and the majority of our operators are local family businesses selling a range of locally grown produce.
<b>High Quality Modern Contemporary</b>	Our Market is the main wholesale fresh produce market for SA supplying 60% of the State's needs. We must always maintain a high quality modern facility and ensuring Market traders supply high quality produce all year round.
<b>Professional</b>	As the State's wholesale market, we must always act professionally and maintain a reputation for being ethical with all stakeholders. We seek to develop and retain a high level property industry expertise.
<b>Sustainable</b>	We support Australia's Commitment under the Paris Agreement and will strive to achieve up to 32% reduction in carbon emissions through the Market's Microgrid and strive to achieve up to 50% reduction in carbon emissions by 2030.
<b>Trustworthy</b>	In order to provide value in our brand we must ensure the industry trusts everything we do. This starts from the Board, management and more importantly we need to ensure the traders that trade at the market abide by the Horticultural code of conduct and maintain strict ethics when trading within the Market.
<b>Safe and Healthy Workplace</b>	We maintain a strong focus on providing a safe and healthy workplace and environment for all people who work and attend the Market site.
<b>Team Focus</b>	The Board of Directors, Management and staff work together as a team and in partnership with customers, suppliers, and Government and industry groups, recognising the benefits that teamwork offers. We are committed to developing the skills of all members of that team.
<b>Efficiency</b>	We must strive to have the most efficient managed market in Australia.
<b>Leadership/ Innovation</b>	We encourage innovation and initiative so that we add value to our customers and position the SAPML to take a leadership role in issues affecting the industry.

## Strategic Challenges

Both from an internal and external analysis, SAPML have identified 6 Strategic Challenges which require new strategies in order to achieve the desired performance.

1

Market Bypass

2

Supply Chain Distribution Channels

3

Online / Digital Platforms

4

Internal Structure

5

Site optimisation / Market hours

6

Exploit Synergies with other Wholesale Markets



## Chairman and CEO Report 2019

SAPML Management have commenced work on the Strategic Challenges with Strategic Challenge 5, namely, Site Optimisation and Market Hours on the current Market site being reviewed using a different approach from previous years. SAPML appointed an independent logistics consultant, John Cole, of Logistics Bureau, to address these strategic impediments.

The method used was to identify three key business objectives for Market logistics and hours. Under each of these objectives we identified the Company's strategic imperatives and Market supply chain implications.

We then looked at the enablers which included systems and infrastructure, people and processes we would need to deliver our key objectives. Once the Company has made these changes, we will execute the logistics plan developed through this review with clear measures.

A more detailed outcome of the strategy is outlined to the right and on the following page.

The Market logistics review included consultation over a few months with industry stakeholders from growers to retailers, including key logistics and transport service providers. This highlighted some key weaknesses and opportunities in the Market logistics supply chain. The outcomes of the report require that the industry needs to address the cold chain in the market prior to making any major changes to the current operational times. Changes to unloading facilities and the opportunities that will be created are currently

being reviewed to ensure the Market keeps abreast with the forever changing landscape.

Once the report was tabled to the Board, Management commenced reviewing the Market Master Plan to address some of the loading issues and to identify the future logistics operations of the site.

The Board has recently formed a Master Planning Committee to review the Master Plan including the possible locations of a logistics hub for the Unloading Service and capital infrastructure requirements moving forward.

**Table 1 - Key Business Objectives**

<ul style="list-style-type: none"> <li>The business objectives we are concerned with are those that describe how "The Market" will operate as a sustainable business</li> <li>These business objectives typically have implications for how the Supply Chain is designed and resourced</li> <li>The Supply Chain Strategy needs to align in support of these business objectives</li> </ul>	<b>Provide a relevant range of services</b>	Operate a market that continues to adapt to the needs of tenants by ensuring relevant services are always on offer
	<b>Enable Freshness of Produce</b>	Operate as a node in the supply chain of tenants that enables freshness of produce to be maintained
	<b>Provide a Market for the trading of food in general</b>	Operate a market that caters for expansion from the trading of fresh produce to include other categories such as dry goods
	<b>A Cost-effective Model</b>	Offer a cost effective Supply Chain model alternative for the industry

**Table 2 - Strategic Development: Strategic Imperatives**

<ul style="list-style-type: none"> <li>The business objectives in the previous table can be translated into the Strategic Imperatives shown to the right.</li> <li>Strategic Imperatives are phrases that represent the essence of the business objectives and can be easily understood through-out the organisation.</li> <li>They are the link between the Business Objectives and the Supply Chain Strategy, as illustrated in the diagram in Table 4</li> </ul>	<b>Service Department</b>
	<b>Just In Time (Freshness)</b>
	<b>Cost-Efficient Model</b>

## Chairman and CEO Report 2019

**Table 3 - Strategic Development: Supply Chain Implications**

The implications shown below are general and will be refined in the execution plans as specific initiatives are undertaken by SAPML

Service Department	Just In Time (Freshness)	Cost-Efficient Model
<b>Supply Chain Implications:</b> <ul style="list-style-type: none"> <li>Flexibility of building sizes and uses</li> <li>Review market hours</li> <li>Expand Cool Chain capability</li> <li>Bring more expertise into the business</li> <li>Bring more IT solutions into the business</li> <li>Expand on the site</li> <li>Other land availability</li> <li>Transport cross dock</li> <li>Group negotiation of transport</li> </ul>	<b>Supply Chain Implications:</b> <ul style="list-style-type: none"> <li>Aligned market hours</li> <li>Expanded Cool Chain capability</li> <li>More loading docks</li> </ul>	<b>Supply Chain Implications:</b> <ul style="list-style-type: none"> <li>KPIs</li> <li>Aligned market hours</li> <li>Expanded Cool Chain capability</li> <li>Group negotiation of transport</li> <li>More loading dock</li> </ul>

**Table 4 - Execution Plan Development: Enablers**

	Infrastructure Enablers	People & Process Enablers
Service Department	<ul style="list-style-type: none"> <li>Develop additional Cool Room capacity</li> <li>Develop transport Cross Dock</li> <li>Develop more unloading docks</li> </ul>	<ul style="list-style-type: none"> <li>Bring more logistics expertise into the business to manage a Cross Dock</li> <li>Develop IT solutions to facilitate easier transactions for tenants (Credit Service)</li> <li>Review market hours to align with needs</li> </ul>
Just In Time (Freshness)	<ul style="list-style-type: none"> <li>Develop additional Cool Room capacity</li> <li>Develop more unloading docks</li> </ul>	<ul style="list-style-type: none"> <li>Review market hours to align with needs</li> </ul>
Cost-Efficient Model	<ul style="list-style-type: none"> <li>Develop additional Cool Room capacity</li> <li>Develop more unloading docks</li> </ul>	<ul style="list-style-type: none"> <li>Develop IT solutions to facilitate easier transactions for tenants (Credit Service)</li> <li>Review market hours to align with needs</li> <li>Negotiate group transport rates</li> </ul>



## Chairman and CEO Report 2019

### Leasing

#### Market Precinct

As reported in FY18, the focus leading up to FY19 was to negotiate Market store and warehouse leases representing circa \$5.2m of rent which expired on 30 September 2018. During FY19, the team were busy finalising the execution of leasing documents and now all leases which expired in October 2018 have been finalised with new leases being entered into. While most of the negotiations were completed in the prior financial year, finalising and executing leases took a considerable amount of effort in the early part of this year.

Consolidation continued to occur in the Wholesaling sector during and after store leases were finalised. The number of wholesalers now stands at 41 from 58 back in 1987. It was also pleasing to see the capital investment within the Wholesaling sector in relation to tenant fit outs. The Wholesaling sector in South Australia have lifted the bar when refitting their store display area which has been encouraging to see.

The weighted average of lease expiry (WALE) was steady at 4.35 in FY19.

#### Wholesaling Store Number of Statistics Wholesale Store Leases

Wholesalers	
Year	Number
1987	58
2017	55
2018	42
2019	41



## Chairman and CEO Report 2019

The balance of the Market warehousing is currently being reviewed along with Market logistics and the Market Master Plan with lease term expiry in mind.

When the Market relocated to the Pooraka site 31 years ago, we tried to replicate the atmosphere with the establishment of a Café. Now 31 years have passed, it was time to re-establish the centre piece of the Market blending the old East End memories with history of the old Market alongside a modern facility.

The Market Café is an integral part of the Market as it is a meeting place where the Market community and growers, buyers and wholesalers and other industry representatives can meet and conduct their business. Most importantly, the refurbished Café now provides a quality food and beverage offering and amenity for the Market community in the early hours of the morning.

The Market Café lease expired in 2018 and after an extensive expression of interest process, an exceptional operator was found to operate the Café and the site was refurbished along with the outside of the entire Administration building.

The Café was designed to incorporate modern facilities such as wi-fi and break away conference areas which the industry will be able to use for meeting and training purposes. We look forward to holding this year's AGM in this space.

It has been encouraging to see the expansion and consolidation of existing Market Wholesalers,

Bache Bros, Hitech, Four Ways, GT Produce and Fruit for You who have all increased their footprint within the Market precinct.

In 2019, the weighted average lease expiry (WALE) of leases of the whole group, is 9.57 years as at 30 June 2019 compared to 9.95 years for FY 2018.

### Other Property Segments

Our Burma Road precinct continued to maintain a steady income with the current net rental for FY19 at circa \$350K.

A new Master Plan for the site has been completed to improve the loading and logistics and parking areas on the site and improve the overall safety of the Burma Road site.

Discussions and negotiations will continue with existing tenants on the new plans in order to finalise commercial arrangements.

The Master Plan has addressed the current tenant's needs and has future proofed the precinct for the long term.

SAPML Management continue to work on developing the Company's two strategic parcels of surplus land of five hectares, which include the Food Precinct and Warehousing and Logistics / Biosecurity Precinct.

As reported in 2017 when the Master planning process commenced with respect to the vacant land, we took advantage of the then announced food initiatives and developments including the combined State and Federal Government Northern Adelaide Irrigation Scheme. (NAIS). The take up of the



NAIS has been slower than first expected which has also seen a slower take up with our land. However, negotiations are ongoing with several parties. The project will only proceed once agreements to lease are in place. The Retail Produce Market concept reported in FY18 is also being reviewed with other potential uses.

The CHEP National Fresh Market roll-out has continued to gain momentum with pallet reform and the slow introduction plastic crates and bins. The expansion of the CHEP Pooling System has continued to feature in the site's Master Plan. In the first full year of operation, \$363k net value has been achieved for pallet reduction costs. This has had a direct benefit to growers, wholesalers and retailers using the Market delivering on one of our objectives in having a cost-effective pallet system in the Market.



## Chairman and CEO Report 2019

### Debt Level/Ratio

The Group's borrowings as at 30 June 2019 were \$42,481,292.

During the year, the SAPML Board tendered the funding for the Solar Microgrid to three banks.

The banks who participated needed to demonstrate capacity to provide the Clean Energy Finance Corporation [CEFC] Subsidy which provided a discount of 0.65% on renewable energy loans. After an extensive tender process, the Board was pleased to award the contract to BankSA with respect to the \$8.5M equipment finance facility for the Solar Microgrid and Back-Up System project.

On 1 October 2018, SAPML successfully renegotiated our business finance facility with our incumbent banking partner, CBA until October 2020. SAPML Board and Management continue to monitor interest rates and the Group currently has approximately 30% of borrowing costs fixed through a combination of the Solar Microgrid and Back-Up System equipment finance facility with BankSA and a SWAP contract arrangement with CBA. This has allowed us to take advantage of the low interest rate environment over the last 12 months while having some hedging of interest rates in place.

In total, the Group's debt as a proportion of the value of its real estate assets mortgaged to CBA (LVR) (as determined by valuation) is 44.0%. 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. The funding of the Solar Microgrid Project through an equipment finance facility does not have an adverse effect on the group's LVR as the borrowings have been secured against the infrastructure and not any of SAPML's properties.

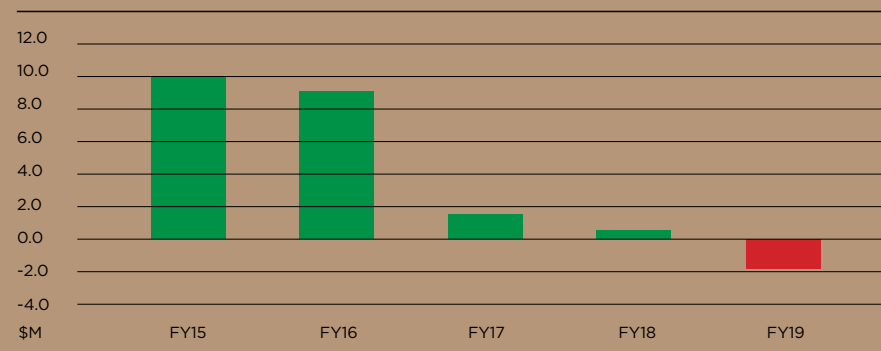


## Chairman and CEO Report 2019

### Property Valuation

Property	2018 Value	2018 Yield %	2019 Value	2019 Yield %	Variance
Gallop Australia Sub TC Pty Ltd, a subsidiary of the Blackstone Group	\$30.00M	5.63%	\$31.00M	5.61%	+\$1M
Burma Road Precinct	\$3.85M	9.03%	\$3.6M	9.19%	-\$0.15M
SA Produce Market Precinct	\$65.15M	10.14%	\$70.8M	9.43%	+\$5.65M
Auscold Logistics Site	\$12.7M	10.54%	\$12.25M	11.07%	-\$0.45M
Vacant Land	\$1.55M		\$1.63M		+0.08M
<b>Total</b>	<b>\$113.25M</b>		<b>\$119.38M</b>		<b>\$6.13M</b>

### Revaluation gain / (loss) last 5 years



### SAPM Site Microgrid Plan



### Property Valuation

The summary of the Group's land valuation by Jones Lang La Salle on the different assets within the Group can be explained in the table on left.

The slight reduction of the Burma Road precinct and Auscold Logistics site reflects the leasing tenure reducing a further one year. The FY20 focus will be to secure a long-term lease for the Auscold site.

The Group recorded a loss on revaluation of property holdings in 2019 of \$1.79M, following on from an increase in revaluation reserves in 2018 of \$542k and a total revaluation gain of \$19.4M over the last 5 years. This year's valuation decrease was mainly attributed to the recording of the Solar Microgrid Project as explained in the Financial Results section above.

Although the overall site valuation increased by \$6.13M using the raw valuation numbers, the additions were \$8M, therefore, a revaluation loss has been recorded. The valuation reconciliation this year can be explained as follows:

Opening fair value	\$113,245,000
Additions - at cost	\$8,004,478
Revaluation increment / (decrement)	\$(1,791,076)
Depreciation expense	\$(78,402)
Closing fair value	\$119,380,000



## Chairman and CEO Report 2019

## Capital Works

We are delighted to report the final completion of the onsite Solar Microgrid and Back-Up System. This has been a ground-breaking project and one of the first in Australia on a commercial site.

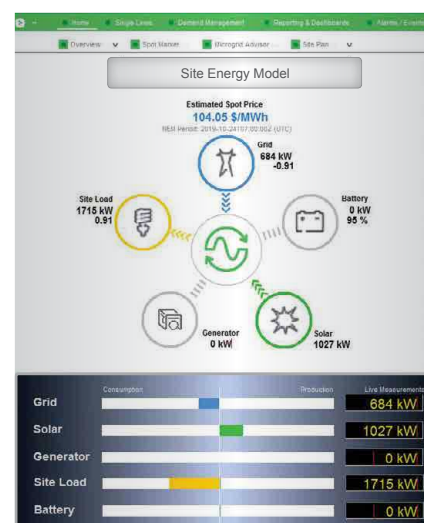
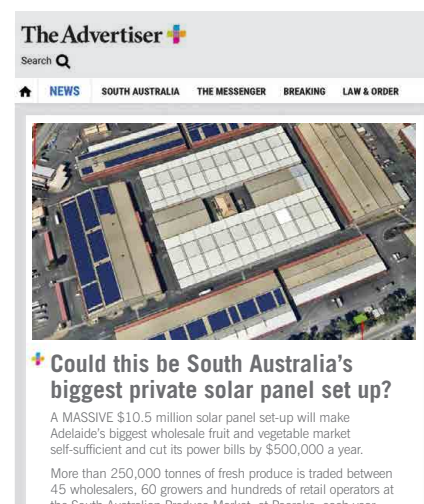
Since the worldwide search commenced in late 2017, it has been a long journey in achieving this milestone. The complexity of this project with the technology that has been developed has meant that there were temporary delays along the way. Although the project has had these delays it has been delivered on budget and as per design brief.

We are proud to have companies like Schneider, AZZO, TESLA and CAT behind the smarts in the technology put together by head contractor Autonomous Energy.

The site has now access to a 7.5MW solar power grid and when the wholesale spot market price for electricity is high, the system, which features the

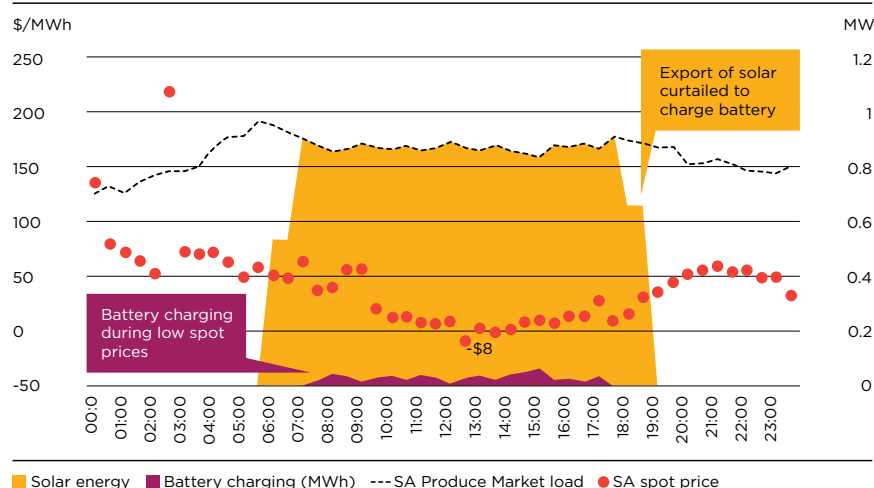
Schneider Microgrid Adviser which is a computer program that oversees the electricity market and weather conditions. This will determine optimal times to purchase electricity from the national electricity grid and when to export excess electricity back into the grid. The system also allows SAPML to 'island' the site from the national grid. The system has the ability for 'artificial intelligence' extracting information from external data sources such as the Bureau of Meteorology, the National Electricity Market and the Australian Electricity Market Operator, in determining the optimal operating time for buying off and exporting to the national electricity grid.

The system manages the onsite infrastructure by using certain system software known as the EcoStruxure Power SDACA platform in order to switch on and off equipment according to available demand and prices.



Live snap shot of SAPML Microgrid Adviser

## Battery Contribution - Low Spot Price



## Chairman and CEO Report 2019



### Market Operations

This year has seen the culmination of various tenders being issued and awarded.

The primary purpose throughout this process has been to obtain quality service delivery and competitive pricing as waste collection & recycling and cleaning services form a considerable proportion of the Outgoings Budget for the Market site.

What has been different during these tenders from previous years is that the SA Chamber of Fruit & Vegetables Inc. (SA Chamber) were participants of the complete tender process given that the majority of its members are the primary users of the waste collection service.

In order to ensure transparency, SAPML engaged the services of Rawtec, independent consultants in waste, recycling and sustainability management. Rawtec firstly audited the Market's current waste streams to provide potential tenderers with details of validated type waste generated and validated waste collection data which ensured each tenderer could provide competitive pricing.

During the evaluation process, the South Australian Government announced it would be increasing the Waste Landfill Levy by \$10 per tonne on 1 July 2019. This announcement included a further unscheduled increase of \$30 per tonne to take effect on 1 January 2020. This large levy increase has major implications for large users such as local councils and the Market.

Currently, approximately 1,400 tonnes of general waste is generated from the Site and disposed to landfill per annum. The unplanned Levy changes would potentially increase the cost to tenants by \$56,000 per annum.

Due to this announcement, additional information was requested from tenderers which delayed the original tender process time frames. Once the additional information was submitted, a draft report was presented to the Chair of the SA Chamber and it was agreed that Rawtec would present a report to SA Chamber members to provide examples of the differing types of waste streams and financial implications on the waste stream generated by its members. The combined committee of the SA Chamber and SAPML Management determined which provider was awarded the contract after receiving a final report from Rawtec.

The Market's Commercial Cleaning and Mechanical Sweeping Services tender process was advertised on 30 April 2019. Those wishing to participate in the tender process were required to complete a mandatory site inspection as part of the tender criteria with the tender closing on 31 May 2019.

With the increase of sham contracting arrangements being reported in the media, SAPML Management completed a due diligence procurement process to ensure all shortlisted companies were reputable.

The SAPML Board has maintained a strong policy on ethical behaviour of all SAPML contractors and ensured that



## Chairman and CEO Report 2019

this policy was maintained when appointing the new cleaning contractor. The process adopted was supported by the SA Chamber Board.

The contracts for Waste Collection & Recycling and Cleaning Services were awarded to national companies Cleanaway and Facilities First and we look forward to working with them on new initiatives in the 2019/2020 financial year and beyond.

During 2018, SAPML conducted a detailed electrical audit and inspection on the Site's electrical infrastructure which included main switchboards. It was found that four of the 30-year-old main

switchboard for buildings A, B C & D and the Burma Road precinct needed replacing.

A full Electrical Tender Scope was written and managed throughout by consulting engineers Greenshields and Partners who are specialists in this area. The tender was written and sent to competent Electrical Switchboard manufacturers and installers and awarded to a local contractor. The work will be completed in the first half of FT20.

These works complement the Solar Microgrid and Back-Up System and provide longevity for years to come.

As reported, it has been a busy year for Management in the procurement of many of the Company's major contracts. These included:

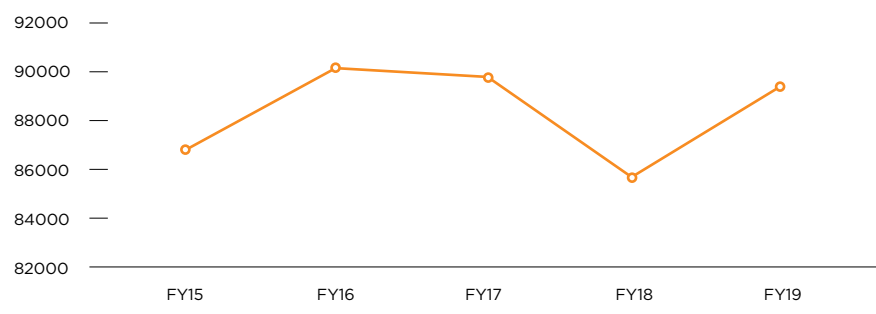
Insurance and Risk	\$645,232
Cleaning	\$279,069
Waste Removal	\$300,000
Electrical Switchboards	\$205,189
Audit (3 years)	\$81,000
Café & External Administration	\$320,000
Building refurbishment	\$70,069
Site Revaluation (3 years)	\$31,500
Banking – funding Solar Microgrid	\$8,500,00
Finance Facility Renewal	\$36,532,000

The total contracts signed through the tendering procurement process for FY19 was \$1.93M. These contracts were awarded under the Company's Procurement Policies and Procedures.



## Chairman and CEO Report 2019

### Number of Lifts



### Pallet Management Unloading Business Unit

Part of the Market logistics study by consultants Logistics Bureau included a review of the Unloading Service within the Market.

Our Master Planning Committee is looking at the infrastructure requirements, however it was also imperative that the business unit was resourced with an experienced management team.

We welcome Jamie Paddick as Logistics / Pallet Management Operations Manager who now manages the Unloading and Pallet Management Business. The appointment has already paid dividend with a 14% increase in income and 7% reduction in operating costs.

### Market Fresh SA Pty Ltd

As reported last year, Market Fresh SA Pty Ltd is a joint initiative of SAPML and the SA Chamber. In 2019 the initiative linked into the National Marketing Program adopted and supported by each of the Australian wholesale fresh produce Markets to increase the volume of produce sold through Market customers, namely independent retailers.

During FY19 the Pick A Local, Pick SA! marketing campaign transitioned into the National Brand, 'A Better Choice'.

Our Marketing team had a busy year visiting stores to explain the new National Program and transitioning the point of sale material with the program.

One of the Company's strategic objectives within the new



## Chairman and CEO Report 2019

2019-2024 Strategic Plan is to address wholesale market bypass. One of the strategies both the SAPML and Market Fresh SA Pty Ltd Board have agreed to address, was to be a part of the National Retail Program – ‘A Better Choice’. Due to the strong local brand recognition of the Pick a Local Pick SA! program over the last few years, we decided to transition to the national brand using Pick a Local Pick SA! – ‘A Better Choice’ as a combined brand.

The funding for the development of the National Brand Program was finalised in FY18. SAPML and the SA Chamber jointly funded Market Fresh SA Pty Ltd by \$150K each in FY19 and have committed continuing to fund \$150k each in FY20.

A review of the National Brand Program will occur at the end of the FY20 in order to gauge performance of the Program, ensuring it provides independent family operated businesses the marketing tools to drive sales within their shops and in turn, drive sales through the wholesale Markets.

Market Fresh SA Pty Ltd also expanded its promotional activities with local retailers with the objective of raising brand awareness and improving reputation, delivering marketing activities on a larger scale and providing marketing services at a store level to support retailers.

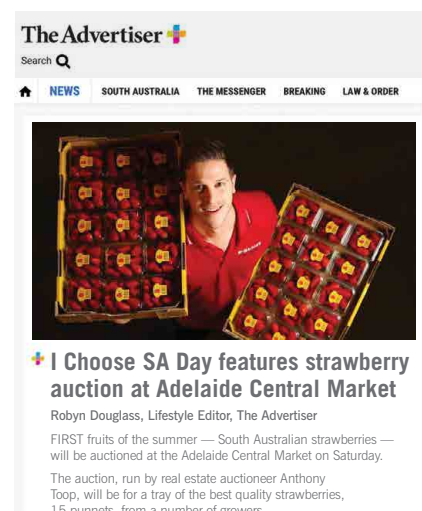
The Company has played a pivotal role in supporting the strawberry industry through the needle contamination issue with a proactive public relations campaign and received \$50,000

State Government funding to purchase a metal detector for use in the Market. The campaign included the slogan “cut ‘em up, don’t cut ‘em out” and was a major success in changing consumer sentiment. An auction was held to auction off a box of Strawberries which raised \$17,500 for Variety. Sales in South Australia of South Australian strawberries increased due to the work carried out by the Market.

During FY19 Market Fresh SA Pty Ltd worked closely with SAPML on the Market’s 30-year Anniversary History book.

We thank Nadia Boscaini for her services as Marketing, Events and Promotions Coordinator for Market Fresh SA Pty Ltd for the past two years and welcome Penny Reidy as the Marketing, Communications and Business Development Manager. We look forward to working with Penny in furthering our marketing strengths within the organisation.

We also thank Wendy Helps, Price and Produce Reporter for another successful year with the Market Fresh SA Price Reporting business. The development of a weekly e-Fresh Alert communicating to industry and stakeholders weekly Market intel. We look forward in further developing this communication means to a broader audience in 2020.



## Chairman and CEO Report 2019

### Corporate Responsibility

SAPML has been an integral part of the community of South Australia for more than 30 years. SAPML strives to be a responsible and active corporate citizen.

Established in South Australia in 2000 and celebrating its 19th Anniversary this year, Foodbank South Australia's core concept remains simple, to feed those in need by redistributing surplus food. It is the largest food relief organisation in South Australia and its mission is to end hunger in South Australia.

Foodbank's innovative association with SAPML and the fruit and vegetable industry tackles food insecurity and access to healthy fresh produce for those who can least afford it, whilst also helping waste reduction to landfill by rescuing edible surplus produce that otherwise may have gone to waste.

Since the association between SAPML and Foodbank SA was established in 2013, we have worked collaboratively and donations of fresh fruit and vegetables from Market traders has dramatically increased. In 2011-12 fresh produce represented

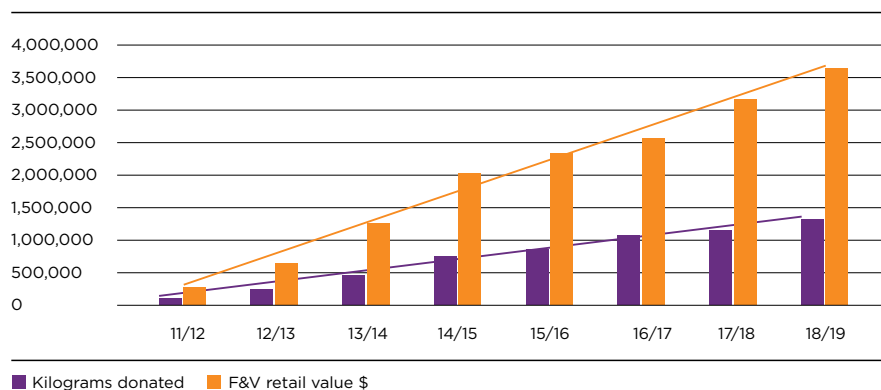
just 6% of Foodbanks' annual food distribution and in 2018-19, through this successful association, fresh produce represented more than 40% of the total food distributed to the South Australian community in need.

The graph below shows the success of the program and the significant targeted growth in donations of surplus fruit and vegetables.

Foodbank have now increased fresh fruit and vegetables to a healthy 40% of the total food groups distributed annually by Foodbank SA and is gifted free of cost to vulnerable kids and families in South Australia. The supply of fresh fruit and vegetables to places as far reaching as the APY Lands SA's far north continues to grow and is another important factor in the association.

### Foodbank - SAPML Joint Venture Free Fresh Fruit & Vegetable Program

Growth in Annual Fruit & Vegetable donations

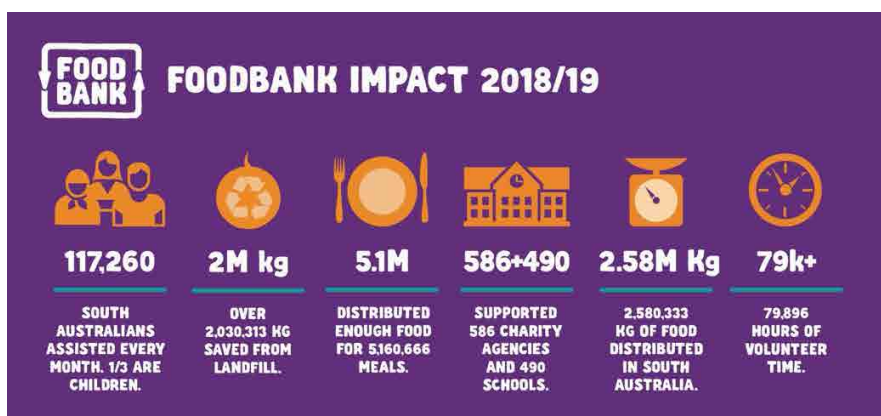


### Industry and Market Matters

SAPML continues to be a member of the Central Markets Association of Australia (CMAA). The key areas of focus with CMAA has been to work closely with Fresh Markets Australia (FMA) to develop our national marketing campaign 'A Better Choice'.

We have again, worked closely with AUSVEG SA, PMA-ANZ and FMA in promoting the central wholesale markets through the CMAA sponsorship of the National Horticultural Conference, Hort Connections in 2019.

The SAPML CEO was appointed as Chair of the Horticultural Coalition of SA (HCSA) for 2108/19. The HCSA has been busy selling the Industry Blueprint for Horticulture



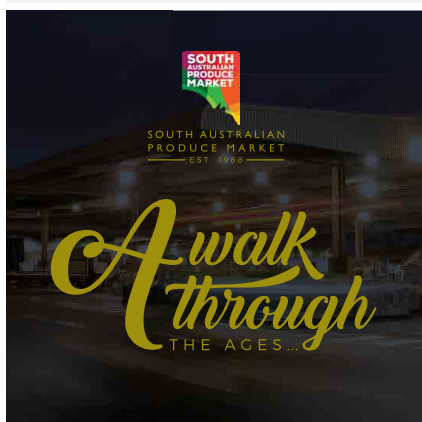


## Chairman and CEO Report 2019



### South Australian Horticulture Industry Blueprint 2017

Supporting growth in horticulture -  
South Australian food, value and jobs



in South Australia, ensuring all member groups including the Market were represented at State Government level.

The HCSA blueprint had ten major challenges for the SA horticulture industry with the top 5 including:

- Business sustainability (i.e., rates and taxes, electricity and labour costs);
- Infrastructure;
- Water;
- Bio Security; and
- Workforce.

HCSA continues to advocate in these areas to the State Government and have been involved in several State Government Committees in addressing some of these key issues.

The Market celebrated its 30 Year Anniversary since moving to the Pooraka site from the old East End of Adelaide.

The celebrations included a history book which we have included some content in this year's Annual Report.

There is a saying that "if you can make it in business in South Australia, you can be successful anywhere in the world".

To be in business successfully for 30 years, is a testament to the Market Community, the Board and our Management team past and present.

We were delighted with the Premier of South Australia, the Hon Steven Marshall as our guest speaker.

It was fitting to bring everyone back to where it all started at the East End. We celebrated at the opening of the refurbished Stag Hotel where over 250 guests attended a cocktail party.

A number of dignitaries attended to help us celebrate our milestone including the Leader of the Opposition Peter Malinauskas, Minister for Regional Development and Primary Industries Tim Whetstone, Minister for Trade, Tourism and Investment David Ridgway, Member for Makin Tony Zappia, and the then Lord Mayor of Adelaide Martin Haese, Chef Callum Hann, representatives of the Horticulture Industry,

PIRSA, Foodbank and the Market Community.

Management and staff worked tirelessly to make the celebration a success and are all be commended for their efforts.

## Conclusion

The Board and Management look forward to continuing to deliver the Company's key strategic objectives.

The key areas of strategic focus in 2019/20 will be as follows:

- to work on decreasing wholesale market bypass through support and review of the national brand;
- to review the Company's management and corporate structure;
- to optimise site optimisation and logistics and upgrade site infrastructure;
- the development of vacant land assets;
- to collaborate with other wholesale Markets to drive efficiencies and reduce costs.

In addition to key strategies, we will continue to enhance the site Solar Microgrid and Back-Up System so as to achieve optimum outcomes for the Company and the Market community.

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 year ahead.

**David Schirripa**  
Chairman

**Angelo Demasi**  
CEO

## 30 Year Celebrations

Friday 5 October 2018 Stag Hotel East Terrace Adelaide







## Five Year Key Financial Metrics

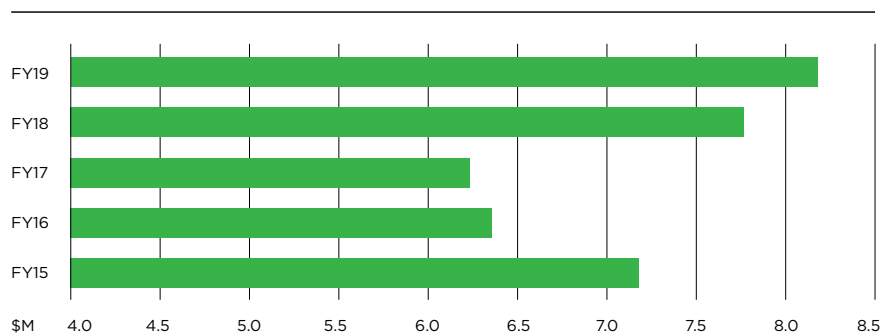
	FY19	FY18	FY17	FY16	FY15
<b>Key financial performance metrics</b>					
Net operating profit before interest & tax, excluding revaluation movements	8,171,821	7,770,321	6,225,268	6,351,437	7,167,992
Revaluation gain / (loss)	(1,791,076)	541,974	1,590,209	9,069,190	9,991,747
Fair value movement of interest rate swap	(302,818)	2,681	(153,539)	0	0
Finance Costs	(1,271,265)	(1,119,669)	(996,655)	(898,851)	(888,870)
Reported profit before tax	4,806,662	7,195,307	6,818,822	14,521,776	16,270,869
Current income tax payable	(1,852,756)	(1,704,388)	(1,628,849)	(1,518,897)	(1,568,367)
Net profit after income tax excluding revaluation gain/(loss) & fair value movement	5,047,800	4,946,264	3,753,303	3,933,689	4,710,755
<b>Key balance sheet metrics</b>					
Total Assets	137,566,212	127,582,119	124,522,114	120,263,108	103,171,658
Net Assets	72,772,448	72,875,737	71,600,956	71,017,918	65,273,804
Net Asset Backing	\$12.60	\$12.62	\$12.40	\$12.30	\$11.30
Gearing Ratio	37.5%	31.5%	32.3%	29.5%	23.5%
<b>Key equity metrics</b>					
Issued Capital	5,774,560	5,774,560	5,774,560	5,774,560	5,774,560
Dividend paid per share	70 cents	70 cents	70 cents	70 cents	70 cents
Earnings per share after income tax excluding revaluation gain/(loss) & fair value movement	87 cents	86 cents	65 cents	68 cents	82 cents



**Net operating profit  
before interest & tax,  
excluding revaluation  
movements**

**FY19  
\$8.2M**

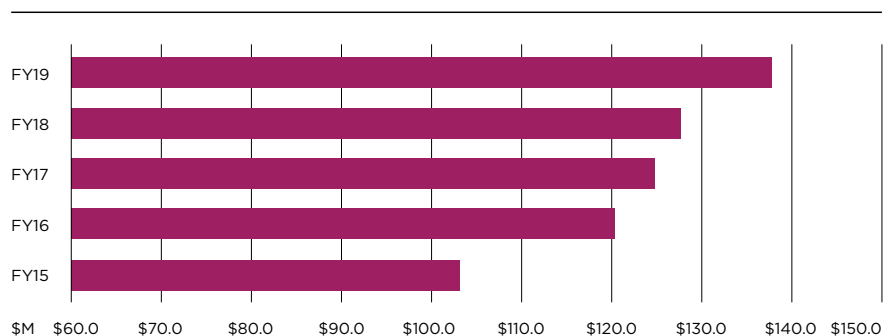
Up 5.2% on FY18



**Total Assets**

**FY19  
\$137.5M**

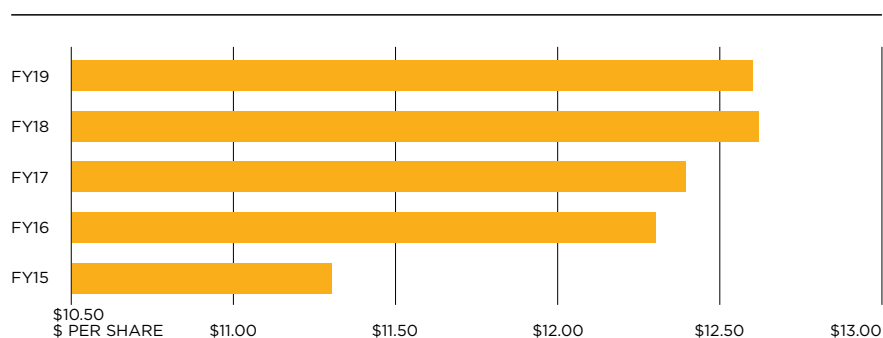
Up 7.8% on FY18



**Net Asset Backing**

**FY19  
\$12.60**

Down by 0.2% on FY18

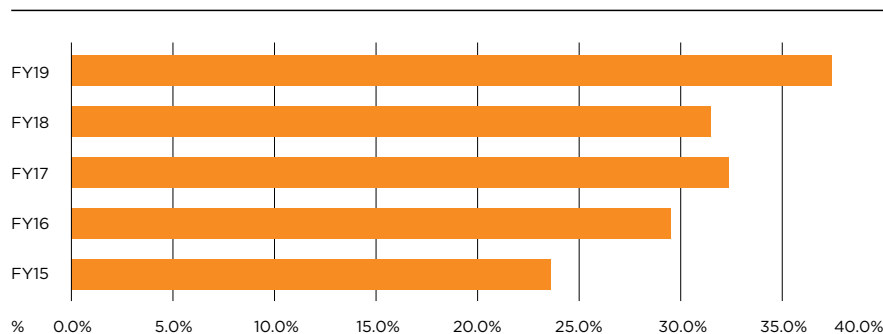


**Gearing Ratio**

**FY19  
37.5%**

Weighted average  
cost of debt as at  
30 June 2019 is 2.86%

Up 19.0% on FY18



**Dividend Shareholder Returns**

**70 cents per share fully franked**

South Australian Produce Market Limited ABN 49 008 129 566  
Financial Report

## Directors' Report

30 June 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of South Australian Produce Market Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

### Directors

The following persons were directors of South Australian Produce Market Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

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

Mr Mark Brougham

### Principal activities

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

### Dividends

Dividends paid/payable during the financial year were as follows:

	Consolidated	
	2019	2018
	\$	\$
Fully franked final dividend of 35 cents per share (for the year ended 30 June 2018)		
paid on 11 December 2018	2,021,096	2,021,096
Fully franked interim dividend of 35 cents per share (for the year ended 30 June 2019)		
paid on 15 May 2019	2,021,096	2,021,096
	4,042,192	4,042,192



## Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$3,342,835 (30 June 2018: \$4,983,426).

	2019 \$	2018 \$	Change \$	Change %
Consolidated profit before income tax	4,806,661	7,195,307	(2,388,646)	(33%)
Revaluation (loss)/gain included in consolidated profit	(1,791,076)	541,974	(2,333,050)	(430%)
Fair Value Movement Interest Rate Swap	(302,818)	2,681	(305,499)	(11395%)
Consolidated profit before income tax, excluding the revaluation gain / loss & Fair Value Movement	6,900,555	6,650,652	249,903	4%
Current income tax payable	1,852,756	1,704,388	148,368	9%
Consolidated profit after income tax excluding revaluation gain/(loss) & Fair Value Movement	5,047,779	4,946,264	101,515	2%

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.

### Significant changes in the state of affairs

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

### Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

### Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

### Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

South Australian Produce Market Limited

# Directors' Report

30 June 2019



**Mr David Schirripa**

Director and Chairman

## Qualifications

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

## Experience and expertise

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



**Mr Nicola (Nic) Minicozzi**

Director and Deputy Chairman

## Qualifications

Bachelor of Laws (LLB)  
Notary Public

## Experience and expertise

Admitted Legal Practitioner in 1974

Experience in non-litigious and litigious Commercial Law



**Mr Pasquale (Pat) Scalzi**

Director

## Experience and expertise

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

## Information on directors





**Mr Daniele (Danny)  
De Ieso**

Director

#### **Qualifications**

Advanced Diploma in  
Horticulture Production

Diploma of Rural  
Business Management

#### **Experience and expertise**

Over 35 years'  
experience in fruit and  
vegetable industry

Grower Board Member  
since 2002

Director - Ausveg

Director - Ausveg SA



**Mr Girolamo (James)  
Fragnito**

Director

#### **Experience and expertise**

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



**Ms Christine  
Scalzi**

Director

#### **Experience and expertise**

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.



**Mr Antonio (Tony)  
Ceravolo**

Director

#### **Experience and expertise**

Managing Director - R  
Ceravolo & Co Pty Ltd

Director - Ashton  
Valley Fresh Juices

Director - Ceravolo  
Orchards Pty Ltd

Director - Apple  
& Pear Growers  
Association of SA

35 years of orchard  
experience

35 years of experience  
in wholesale of fruit  
and vegetables

South Australian Produce Market Limited

## Directors' Report

30 June 2019



**Mr Derrick  
Patterson**

Director

### Experience and expertise

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



**Mr Michael  
Ruggiero**

Director

### Qualifications

Bachelor of Arts  
(Accounting)  
Chartered Accountant  
Chartered Tax Adviser  
Diploma in Financial  
Services

### Experience and expertise

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



**Mr Mark  
Brougham**

Director

### Experience and expertise

Board member since  
November 2018

Chairman of the South  
Australian Chamber of  
Fruit & Vegetables

Director of M & C Fruit &  
Vegetable Supplies

Board Member of the  
South Australian Produce  
Credit

Board Member of Fresh  
Markets Australia (FMA)

Board Member and Vice  
President of Baseball SA



## Company secretary

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

## Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board		Audit Corporate Governance and Finance Committee	
	Attended	Held	Attended	Held
Mr David Schirripa (Chairman)	11	11	6	6
Mr Nicola (Nic) Minicozzi (Deputy Chairman)	11	11	6	6
Mr Pasquale (Pat) Scalzi	11	11	4	6
Mr Daniele (Danny) De Ieso	10	11	-	-
Mr Antonio (Tony) Ceravolo	9	11	-	-
Mr Michael Ruggiero	10	11	4	6
Ms Christine Scalzi	11	11	-	-
Mr Girolamo (James) Fragnito	9	11	-	-
Mr Derrick Patterson	11	11	4	6
Mr Mark Brougham	7	7	-	-
Held: represents the number of meetings held during the time the director held office.				

South Australian Produce Market Limited

## Directors' Report

30 June 2019

### Details of remuneration

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

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.

#### *Amounts of remuneration*

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

	Short-term benefits		Post-employment benefits	
	Cash salary and fees \$	Committee fees \$	Super- annuation \$	Total \$
<b>2019</b>				
Mr David Schirripa (Chairman)	50,000	-	4,750	54,750
Mr Nicola (Nic) Minicozzi (Deputy Chairman)	40,000	4,500	4,227	48,727
Mr Pasquale (Pat) Scalzi	30,000	3,000	3,135	36,135
Mr Daniele (Danny) De Ieso	30,000	-	2,850	32,850
Mr Antonio (Tony) Ceravolo	30,000	-	2,850	32,850
Mr Michael Ruggiero	30,000	3,000	3,135	36,135
Ms Christine Scalzi	30,000	-	2,850	32,850
Mr Girolamo (James) Fragnito	30,000	-	2,850	32,850
Mr Derrick Patterson	30,000	3,000	3,135	36,135
Mr Mark Brougham	17,307	-	1,645	18,952
<i>Other Key Management Personnel</i>				
Mr A Demasi	207,072	-	18,425	225,497
	508,776	13,500	49,852	587,731

Other than that disclosed in Note 29, 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.

## Additional disclosures relating to key management personnel

### Share and option

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares and options</i>					
Mr David Schirripa (Chairman)	253,900	-	-	-	253,900
Mr Pasquale (Pat) Scalzi	823,199	-	-	-	823,199
Mr Daniele (Danny) De Ieso	2,400	-	-	-	2,400
Mr Antonio (Tony) Ceravolo	126,300	-	5,000	-	131,300
Ms Christine Scalzi	258,200	-	-	-	258,200
Mr Girolamo (James) Fragnito	37,500	-	-	-	37,500
Mr Derrick Patterson	10,000	-	-	-	10,000
Mr Angelo Demasi	1,600	-	-	-	1,600
	1,513,099	-	5,000	-	1,518,099



South Australian Produce Market Limited

# Directors' Report

30 June 2019

## Shares under option

There were no unissued ordinary shares of South Australian Produce Market Limited under option outstanding at the date of this report.

## Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## Indemnity and insurance of auditor

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

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

## Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



**David Schirripa**

Chairman of Directors  
24 September 2019

South Australian Produce Market Limited

# Auditor's Independence Declaration



Grant Thornton House  
Level 3  
170 Frome Street  
Adelaide SA 5000  
GPO Box 1270  
Adelaide SA 5001  
T +61 8 8372 6666

## Auditor's Independence Declaration

To the Directors of South Australian Produce Market Pty 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 Pty Limited for the year ended 30 June 2019, 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, 24 September 2019

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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[www.grantthornton.com.au](http://www.grantthornton.com.au)

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South Australian Produce Market Limited ABN 49 008 129 566

# Financial Statements

30 June 2019

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## General information

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

South Australian Produce Market Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

### Registered office

Burma Road  
Pooraka SA 5095

### Principal place of business

Burma Road  
Pooraka SA 5095

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 September 2019. The directors have the power to amend and reissue the financial statements.



South Australian Produce Market Limited

# Statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

		<b>Consolidated</b>	
	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>	4	18,180,151	18,122,582
<b>Expenses</b>			
Investment property revaluation (loss) / gain		(1,791,076)	541,974
Fair value movement of interest rate swap		(302,818)	2,681
Employee benefits expense		(2,040,820)	(1,888,533)
Depreciation expense	5	(247,779)	(285,886)
Finance costs		(1,271,265)	(1,119,669)
Other expenses		(7,719,731)	(8,177,842)
<b>Profit before income tax expense</b>		4,806,662	7,195,307
Income tax expense	6	(1,463,827)	(2,211,881)
<b>Profit after income tax expense for the year</b>		3,342,835	4,983,426
<b>Other comprehensive income</b>			
Fair value movement in financial assets (net of tax)		596,068	333,547
Other comprehensive income for the year, net of tax		596,068	333,547
<b>Total comprehensive income for the year</b>		3,938,903	5,316,973

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

South Australian Produce Market Limited

# Statement of financial position

As at 30 June 2019

		Consolidated	
	Note	2019 \$	2018 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	3,062,122	2,844,405
Trade and other receivables	8	609,564	929,764
Other assets	9	823,842	696,862
Total current assets		4,495,528	4,471,031
<b>Non-current assets</b>			
Receivables	10	1,463	19,635
Financial assets at fair value through other comprehensive income	11	12,222,631	8,370,655
Investment properties	12	119,380,000	113,245,000
Plant and equipment	13	1,466,590	1,475,798
Total non-current assets		133,070,684	123,111,088
<b>Total assets</b>		<b>137,566,212</b>	<b>127,582,119</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	4,160,411	2,901,695
Borrowings	15	735,432	-
Income tax payable	16	727,699	870,913
Provisions	17	383,068	358,527
<b>Total current liabilities</b>		<b>6,006,610</b>	<b>4,131,135</b>
<b>Non-current liabilities</b>			
Borrowings	18	41,745,860	33,451,692
Derivative financial instruments	19	453,676	150,858
Deferred tax	20	16,575,342	16,964,271
Provisions	21	12,276	8,426
Total non-current liabilities		58,787,154	50,575,247
<b>Total liabilities</b>		<b>64,793,764</b>	<b>54,706,382</b>
<b>Net assets</b>		<b>72,772,448</b>	<b>72,875,737</b>
<b>Equity</b>			
Issued capital	22	6,167,310	6,167,310
Reserves	23	929,615	333,547
Retained earnings		65,675,523	66,374,880
<b>Total equity</b>		<b>72,772,448</b>	<b>72,875,737</b>

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

South Australian Produce Market Limited

# Statement of changes in equity

For the year ended 30 June 2019

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Available for sale reserve \$</b>	<b>Fair value OCI reserve \$</b>	<b>Retained profits \$</b>	<b>Non-controlling interest \$</b>	<b>Total equity \$</b>
Balance at 1 July 2017	6,167,310	-	-	65,434,475	(829)	71,600,956
Profit after income tax expense for the year	-	-	-	4,983,426	-	4,983,426
Other comprehensive income for the year, net of tax	-	333,547	-	-	-	333,547
Total comprehensive income for the year	-	333,547	-	4,983,426	-	5,316,973
<i>Transactions with owners in their capacity as owners:</i> Acquisition of 15% non-controlling interest	-	-	-	(829)	829	-
Dividends paid (note 24)	-	-	-	(4,042,192)	-	(4,042,192)
<b>Balance at 30 June 2018</b>	<b>6,167,310</b>	<b>333,547</b>	<b>-</b>	<b>66,374,880</b>	<b>-</b>	<b>72,875,737</b>

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Available for sale reserve \$</b>	<b>Fair value OCI reserves \$</b>	<b>Retained profits \$</b>	<b>Non-controlling interest \$</b>	<b>Total equity \$</b>
Balance at 1 July 2018	6,167,310	333,547	-	66,374,880	-	72,875,737
Adjustment for change in accounting policy	-	(333,547)	333,547	-	-	-
Balance at 1 July 2018 - restated	6,167,310	-	333,547	66,374,880	-	72,875,737
Profit after income tax expense for the year	-	-	-	3,342,835	-	3,342,835
Other comprehensive income for the year, net of tax	-	-	596,068	-	-	596,068
Total comprehensive income for the year	-	-	596,068	3,342,835	-	3,938,903
<i>Transactions with owners in their capacity as owners:</i> Dividends paid (note 24)	-	-	-	(4,042,192)	-	(4,042,192)
<b>Balance at 30 June 2019</b>	<b>6,167,310</b>	<b>-</b>	<b>929,615</b>	<b>65,675,523</b>	<b>-</b>	<b>72,772,448</b>

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



South Australian Produce Market Limited

# Statement of cash flows

For the year ended 30 June 2019

		Consolidated	
	Note	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		18,518,524	18,867,526
Payments to suppliers and employees		(8,704,281)	(9,235,605)
		9,814,243	9,631,921
Interest received		40,570	27,229
Interest and other finance costs paid		(1,247,800)	(1,119,669)
Income taxes paid		(2,251,428)	(1,560,523)
Net cash provided by operating activities	35	6,355,585	6,978,958
<b>Cash flows from investing activities</b>			
Payments for investments		(3,000,000)	(1,000)
Payments for property, plant and equipment		(8,210,792)	(1,686,650)
Proceeds from disposal of property, plant and equipment		85,516	433,450
Net cash used in investing activities		(11,125,276)	(1,254,200)
<b>Cash flows from financing activities</b>			
Dividends paid	24	(4,042,192)	(4,042,192)
Repayment of borrowings		(144,052)	(11,049)
Proceeds from borrowings		9,173,652	-
Net cash (used in) / provided by financing activities		4,987,408	(4,053,241)
Net increase in cash held		217,717	1,671,517
Cash and cash equivalents at the beginning of the financial year		2,844,405	1,172,888
Cash and cash equivalents at the end of the financial year	7	3,062,122	2,844,405

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

South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### New or amended Accounting Standards and Interpretations adopted

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

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

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

#### *AASB 15 Revenue from Contracts with Customers*

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer

acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period. There was no impact to the financial statements as a result of adopting this new standard.

#### *AASB 9 Financial Instruments*

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 1. Significant accounting policies (cont)

### AASB 9 Financial Instruments - Other financial assets - Fair value OCI

When adopting AASB 9, the Group has applied transitional relief and elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

The reclassifications and adjustments arising from the introduction of AASB 9 have not been reflected in the statement of financial position as at 30 June 2018, but are recognised in the opening balances from 1 July 2018.

On 1 July 2018 (the date of initial application of AASB 9), the group's management assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate categories.

The group elected to present changes for the fair value of all its equity investments previously classified as available-for-sale, in Other Comprehensive Income, as these investments are medium to long-term investments that are not expected to be sold in the short term. As a result, assets with a fair value of \$8,370,655 were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of \$333,547 were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1 July 2018.

	30 June 2018 as originally presented \$	AASB 9 \$	1 July 2018 \$
<b>Statement of financial position extract</b>			
Financial assets at fair value through other comprehensive income (OCI)	-	8,370,655	8,370,655
Available-for-sale financial assets	8,370,655	(8,370,655)	-
	8,370,655	-	8,370,655

### The following table shows the adjustments recognised for each applicable line item

	AFS reserve	FVOCI reserve
Closing Balance 30 June 2018 - AASB 139	333,547	-
Reclassify non trading equities from available-for-sale to FVOCI	(333,547)	333,547
Opening Balance 1 July 2018 - AASB 9	-	333,547



South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 1. Significant accounting policies (cont)

### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

### Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of South Australian Produce Market Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. South Australian Produce Market Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### Revenue recognition

The consolidated entity recognises revenue as follows:

#### *Rent*

Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 1. Significant accounting policies (cont)

### *Rendering of services*

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*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

### **Income tax**

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

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

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

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

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

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

South Australian Produce Market Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary 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 tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 1. Significant accounting policies (cont)

### Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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

### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

### Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

#### Cash flow hedges

Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.



South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 1. Significant accounting policies (cont)

### Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

### Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

#### *Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

#### *Impairment of financial assets*

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

### Investment properties

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the consolidated entity. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 1. Significant accounting policies (cont)

Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on the date of change of use.

Investment properties also include properties under construction for future use as investment properties. These are carried at fair value, or at cost where fair value cannot be reliably determined and the construction is incomplete.

### Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3.75 - 50%
Motor vehicles	18.50%
Furniture and fittings	9 - 50%
Office equipment	9 - 50%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

### Leases

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

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

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

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

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

### Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 1. Significant accounting policies (cont) Employee benefits

### Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

### Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

### Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

### Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### Fair value measurement

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

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



South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 1. Significant accounting policies (cont)

### Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the company, on or before the end of the financial year but not distributed at the reporting date.

### Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting

period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

### AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 and it is estimated that the following assets and liabilities will be recognised:

- Right of use asset - \$690,735
- Lease liability - \$690,735

South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 2. Critical accounting judgements, estimates and assumptions

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

### *Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

### *Estimation of useful lives of assets*

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

### *Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date

by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

### *Income tax*

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

### *Recovery of deferred tax assets*

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

### *Employee benefits provision*

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 3. Operating segments

The Company operates wholly within Australia and owns and manages a large scale facility to facilitate wholesale marketing of fresh produce.

## Note 4. Revenue

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Rents and recoveries	18,099,698	17,930,562
<i>Other revenue</i>		
Interest received	41,083	27,229
Gain on sale of property, plant and equipment	39,370	153,386
Interest recoveries	-	11,405
	80,453	192,020
Revenue	18,180,151	18,122,582

## Note 5. Expenses

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Profit before income tax includes the following specific expenses:		
<i>Expenses</i>		
Depreciation of plant & equipment	247,779	285,886
<i>Finance costs</i>		
Finance costs	1,247,800	1,119,669
<i>Remuneration of auditor</i>		
Audit of group and outgoings	27,000	29,000

There have been no non-audit services during the year.

South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 5. Expenses (cont)

	2019 \$	Consolidated 2018 \$
<b>Other expenses</b>		
Accounting and legal expenses	157,360	275,226
Bad debts (recovery)	6,665	(1,651)
Cleaning	263,060	253,261
Cost of sales - produce sales and recycling	843	380,998
Director fees	362,236	310,501
Emergency services levy	115,878	111,041
Equipment hire	81,425	137,698
Insurance expense	479,587	401,924
Land tax	847,369	712,750
Market Fresh contribution	192,313	129,960
Motor vehicle expenses	47,088	51,785
Other	556,911	642,716
Professional fees	206,026	216,160
Rates and taxes	653,125	789,502
Rent expense	454,830	510,782
Repairs and maintenance	464,910	442,652
Security	133,801	179,699
Subcontractor expenses	159,798	345,300
Water rates	350,315	269,549
Electricity	2,209,657	2,017,989
	7,743,197	8,177,842



South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 6. Income tax expense

	2019 \$	Consolidated 2018 \$
<i>Income tax expense</i>		
Current tax	1,852,756	1,704,388
Deferred tax	(388,929)	507,493
Aggregate income tax expense	1,463,827	2,211,881
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	4,806,662	7,195,307
Tax at the statutory tax rate of 30%	1,441,999	2,158,592
Tax effect amounts which are not deductible/ (taxable) in calculating taxable income:		
Provision for holiday pay	885	(3,178)
Provision for long service leave	7,558	4,045
Other non-allowable items	400,494	302,538
	1,850,936	2,461,997
Revaluation gain	537,323	(162,592)
Allowable deduction for bitumen works	(253,346)	(269,602)
Other allowable items	(282,156)	(325,415)
Income tax expense	1,852,757	1,704,388

## Note 7. Current assets - cash and cash equivalents

	2019 \$	Consolidated 2018 \$
Cash on hand	600	500
Cash at bank	3,061,522	2,843,905
	3,062,122	2,844,405

South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 8. Current assets - trade and other receivables

	2019 \$	Consolidated 2018 \$
Trade debtors	613,854	925,138
Less: Provision for expected credit loss	(6,665)	-
	607,189	925,138
Other debtors	2,375	4,626
	609,564	929,764

## Note 9. Current assets - other assets

	2019 \$	Consolidated 2018 \$
Prepayments	808,745	696,862
Inventory	15,097	-
	823,842	696,862

## Note 10. Non-current assets - receivables

	2019 \$	Consolidated 2018 \$
Trade receivables	1,463	19,635

South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 11. Non-current assets - financial assets at fair value through other comprehensive income

	2019 \$	Consolidated 2018 \$
Shares in Perth Markets Ltd & Perth Markets Land Trust (PML)	8,941,381	8,370,655
Shares in Brisbane Markets Ltd	3,281,250	-
	12,222,631	8,370,655

Shares in Perth Markets Ltd & Perth Markets Land Trust investment was previously classified as "Available for sale financial asset" and from 1 July 2018 this investment is recognised as "Fair value through other comprehensive income (FVOCI)", under AASB 9 Financial Instruments – refer to Note 1.

During the year 937,5000 shares were purchased in Brisbane Markets Ltd for \$3,000,000.

At 30 June 2019 investments were reflected at fair value of \$12,222,631, with the incremental movement recorded at fair value through other comprehensive income (FVOCI) of \$596,068, net of tax.

## Note 12. Non-current assets - investment properties

	2019 \$	Consolidated 2018 \$
Land	57,930,000	56,745,000
Buildings	61,450,000	56,500,000
	119,380,000	113,245,000

### Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	113,245,000	111,365,000
Additions - at cost	8,004,478	1,419,573
Revaluation increment / (decrement)	(1,791,076)	541,974
Depreciation expense	(78,402)	(81,547)
Closing fair value	119,380,000	113,245,000

### Valuations of investment properties

The basis of the valuation of investment properties is fair value. The investment properties are revalued annually based on independent assessments by a member of the Australian Property Institute having recent experience in the location and category of investment property being valued. Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment.

Investment properties are leased out on operating leases.

Rental income amounts to \$8,645,568 (2018: \$8,499,563) included in revenue on a consolidated basis.

South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 13. Non-current assets - Plant and equipment

	2019 \$	Consolidated 2018 \$
Plant, equipment & vehicles - at cost	4,025,821	4,442,757
Less: accumulated depreciation	(2,559,231)	(2,966,959)
	1,466,590	1,475,798

### Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Plant and Equipment \$	Total \$
Balance at 1 July 2017	1,693,124	1,693,124
Additions	52,914	52,914
Disposals	(65,901)	(65,901)
Depreciation expense	(204,339)	(204,339)
Balance at 30 June 2018	1,475,798	1,475,798
Additions	206,314	206,314
Disposals	(46,146)	(46,146)
Depreciation expense	(169,376)	(169,376)
Balance at 30 June 2019	1,466,590	1,466,590

## Note 14. Current liabilities - trade and other payables

	2019 \$	Consolidated 2018 \$
Trade payables	336,033	481,468
Sundry payables and accruals	3,824,378	2,420,227
	4,160,411	2,901,695

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



South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 15. Current liabilities - borrowings

	2019 \$	Consolidated 2018 \$
Finance lease liability (Note 18)	735,432	-

## Note 16. Current liabilities - income tax payable

	2019 \$	Consolidated 2018 \$
Income tax payable	727,699	870,913

## Note 17. Current liabilities - provisions

	2019 \$	Consolidated 2018 \$
Provision for dividends	3,745	3,500
Employee benefits	379,323	355,027
	383,068	358,527

South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 18. Non-current liabilities - borrowings

	2019 \$	Consolidated 2018 \$
Bank bills secured	34,951,692	33,451,692
Finance lease liability	6,794,168	-
	41,745,860	33,451,692

### Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	2019 \$	Consolidated 2018 \$
Bank bills secured	34,951,692	33,451,692
Finance lease liability	7,529,600	-
	42,481,292	33,451,692

### Assets pledged as security

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

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 Australia Produce Market Limited property located at Market Lane, Pooraka SA.
- a first registered mortgage over the South Australia 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.

South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 19. Non-current liabilities - derivative financial instruments

	2019 \$	Consolidated 2018 \$
Interest rate swap contracts - cash flow hedges	453,676	150,858

## Note 20. Non-current liabilities - deferred tax

	2019 \$	Consolidated 2018 \$
Deferred tax liabilities	16,575,342	16,964,271

## Note 21. Non-current liabilities - provisions

	2019 \$	Consolidated 2018 \$
Employee benefits	12,276	8,426

South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 22. Equity - issued capital

	2019 Shares	2018 Shares	2019 \$	Consolidated 2018 \$
Ordinary shares - fully paid	5,774,560	5,774,560	6,167,310	6,167,310

	2019 \$	Consolidated 2018 \$
<b>Comprising</b>		
Ordinary Grower Shares	1,952,114	1,964,514
Ordinary Wholesales Shares	2,386,443	2,403,443
Ordinary Retailer Shares	531,090	513,490
Ordinary Unclassified Shares	904,913	893,113
	5,774,560	5,774,560

### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

## Note 23. Equity - reserves

### Reserves

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



South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 24. Equity - dividends

### Dividends

Dividends paid/payable during the financial year were as follows:

	2019 \$	Consolidated 2018 \$
Fully franked final dividend of 35 cents per share (for the year ended 30 June 2018) paid on 11 December 2018	2,021,096	2,021,096
Fully franked interim dividend of 35 cents per share (for the year ended 30 June 2019) paid on 15 May 2019	2,021,096	2,021,096
	4,042,192	4,042,192

### Franking credits

	2019 \$	Consolidated 2018 \$
Franking credits available for subsequent financial years based on a tax rate of 30%	951,040	431,981

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

## Note 25. Financial instruments

### Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 25. Financial instruments (cont)

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

### Market risk

#### Price risk

The consolidated entity is not exposed to any significant price risk.

#### 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.

	Basis points increase		Basis points decrease	
	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
<b>Consolidated - 2019</b>				
Borrowings net of interest rate swap	250,000	250,000	250,000	250,000
<b>Consolidated - 2018</b>				
Borrowings net of interest rate swap	235,000	235,000	235,000	235,000

South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 25. Financial instruments (cont)

### *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements. The Group does not hold any collateral as security over any receivable balances, nor does it hold any restrictions of title.

The average credit period is 30 days. Extended credit terms may be provided through negotiation with customers. No interest is charged on the trade receivables.

Some of the unimpaired trade receivables are past due as at reporting date. These relate to customers who have a good credit history with the Group and are expected to be recovered in full.

### *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:

South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 25. Financial instruments (cont)

### Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	1 year or less \$	Between 1 and 5 years \$	Remaining contractual maturities \$
<b>Consolidated - 2019</b>			
<b>Non-derivatives</b>			
<i>Non-interest bearing</i>			
Trade and other payables	4,160,798	-	4,160,798
<i>Interest-bearing - variable</i>			
Borrowings - bank loans	-	34,951,692	34,951,692
Borrowings - finance lease (current)	735,432	-	735,432
Borrowings - finance lease (non-current)	-	6,794,168	6,794,168
Total non-derivatives	4,896,230	41,745,860	46,642,090

	1 year or less \$	Between 1 and 5 years \$	Remaining contractual maturities \$
<b>Consolidated - 2018</b>			
<b>Non-derivatives</b>			
<i>Non-interest bearing</i>			
Trade and other payables	2,901,695	-	2,901,695
<i>Interest-bearing - variable</i>			
Borrowings- bank loans	-	33,451,692	33,451,692
Total non-derivatives	2,901,695	33,451,692	36,353,387

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

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.

### Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.



South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 26. Key management personnel disclosures

### Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2019 \$	Consolidated 2018 \$
Salaries & Directors fees	526,495	464,130
Other - salary sacrifice	30,385	37,840
Superannuation contributions	49,700	48,319
	606,580	550,289

## Note 27. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets recorded by the Company as at the date of this report (2018: Nil).

## Note 28. Commitments

	2019 \$	Consolidated 2018 \$
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Solar project	2,409,623	7,550,395
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	379,371	422,738
One to five years	667,796	1,047,167
	1,047,167	1,469,905

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.

South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 29. Related party transactions

### Parent entity

South Australian Produce Market Limited is the parent entity.

### Subsidiaries

Interests in subsidiaries are set out in note 32.

### Joint ventures

Interests in joint ventures are set out in note 33.

### Key management personnel

Disclosures relating to key management personnel are set out in note 26.

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.

	<b>Consolidated 2019 No</b>	<b>Consolidated 2018 No</b>	<b>Parent 2019 No</b>	<b>Parent 2018 No</b>
South Australian Produce Market Ltd - Ordinary Shares	1,518,099	1,513,099	1,518,099	1,513,099

### Transactions with Joint Ventures

During 2019, South Australian Produce Market provided contribution to Market Fresh of \$150,000 (2018: \$105,000). At reporting date there is no amounts owed to or by Market Fresh (2018: Nil).

### Transactions with related parties

The following transactions occurred with related parties:

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:

	<b>2019 \$</b>	<b>Consolidated 2018 \$</b>
Bentleys	33,611	41,250
Minicozzi Solicitors	174,869	37,930
Schirripa Evans Lawyers	125,119	206,011

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.

South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 29. Related party transactions

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:

	2019 \$	Consolidated 2018 \$
Ceravolo Orchards Pty Ltd	3,719	5,182
M & C Brougham Pty Ltd	98,269	-
Mt Barker Fresh Markets	3,362	3,267
P & E Scalzi Services Pty Ltd	513,204	813,202
Paseva Pty Ltd ATF P & E Scalzi Superannuation Fund	42,191	166,868
Pooraka Fruit & Vegetable Supply	28,101	43,371
R Ceravolo & Co Pty Ltd	339,254	567,679
Scalzi Produce	9,658	161
Select Naturally Pty Ltd	77,685	84,131
Thorndon Park Produce Co Pty Ltd	11,743	5,626

Payment for goods and services:

	2019 \$	Consolidated 2018 \$
Lease payments to Pooraka Fruit and Vegetable Supply	454,830	411,783

### Outstanding balances at reporting date

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2019 \$	Consolidated 2018 \$
Ceravolo Orchards Pty Ltd	-	156
M & C Brougham Pty Ltd	1,756	-
Minicozzi Solicitors	24,702	1,597
Mt Barker Fresh Markets	322	219
P & E Scalzi Services Pty Ltd	16,644	7,152
Paseva Pty Ltd ATF P & E Scalzi Superannuation Fund	-	3,003
Pooraka Fruit & Vegetable Supply	2,959	21,572
R Ceravolo & Co Pty Ltd	60,454	60,217

### Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

### Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 30. 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 31. Parent entity information

Set out below is the supplementary information about the parent entity.

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

	2019 \$	Parent 2018 \$
Profit after income tax	2,942,871	4,495,060
Total comprehensive income	2,942,871	4,495,060

### Statement of financial position

	2019 \$	Parent 2018 \$
Total current assets	3,958,720	3,702,588
Total assets	131,532,186	123,223,571
Total current liabilities	5,440,920	3,499,219
Total liabilities	64,108,996	53,842,527
Equity		
Issued capital	6,167,310	6,167,310
Reserves	929,615	333,547
Retained earnings	60,326,265	62,880,187
Total equity	67,423,190	69,381,044

#### *Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2019 and 30 June 2018.

#### *Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

#### *Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019.

#### *Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 32. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2019 %	2018 %
5101 Commerce Crescent Pty Ltd	Australia	100.00%	100.00%
5102 Commerce Crescent Pty Ltd	Australia	100.00%	100.00%
9 Burma Road Pooraka Pty Ltd	Australia	100.00%	100.00%
Adelaide Market Pty Ltd	Australia	100.00%	100.00%
APML Exports No 2 Pty Ltd	Australia	100.00%	100.00%
APML No Two Pty Ltd & Adelaide Produce Market Limited Partnership	Australia	100.00%	100.00%
APML No. One Pty Ltd	Australia	100.00%	100.00%
APML No. Two Pty Ltd	Australia	100.00%	100.00%
Australian Produce Cases & Recycling Pty Ltd	Australia	100.00%	100.00%
Australian Produce Market Pty Ltd	Australia	100.00%	100.00%
Produce Markets Australia Pty Ltd	Australia	100.00%	100.00%

## Note 33. Interests in joint ventures

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures that are material to the consolidated entity are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2019 %	2018 %
Market Fresh SA Pty Ltd (Market Fresh)	Australia	50.00%	50.00%

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.

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 2019 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 company.



South Australian Produce Market Limited

# Notes to the financial statements

30 June 2019

## Note 34. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## Note 35. Cash flow information

Reconciliation of profit after income tax to net cash provided by operating activities

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Profit after income tax expense for the year	3,342,835	4,983,426
Adjustments for:		
Depreciation and amortisation	247,778	285,886
Revaluation gain	1,791,076	(541,974)
Fair value movement on interest rate swap	302,818	(2,681)
Income tax effect through reserves	(255,458)	(142,949)
(Gain)/ loss on sale of asset	(39,370)	(153,386)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	337,922	742,212
Increase in inventories	(15,097)	-
Decrease in other current assets	(111,883)	9,470
Increase in trade and other payables	1,258,716	1,001,468
Increase/(decrease) in provision for income tax	(532,143)	794,307
Increase in provisions	28,391	3,179
Net cash provided by operating activities	6,355,585	6,978,958

### Non-cash investing and financing activities

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

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

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Credit facility	36,567,000	33,567,000
Credit facility utilised	(34,951,692)	(33,451,692)
	1,615,308	115,308

South Australian Produce Market Ltd and Controlled Entities  
ACN 008 129 566

## Directors' Declaration

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 36 to 70 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 2019 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 24th day of September 2019.

South Australian Produce Market Limited

# Independent Auditor's Report



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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 statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the 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 2019 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 2019, but does not include the financial report and our auditor's report thereon.

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, 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 Group 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.

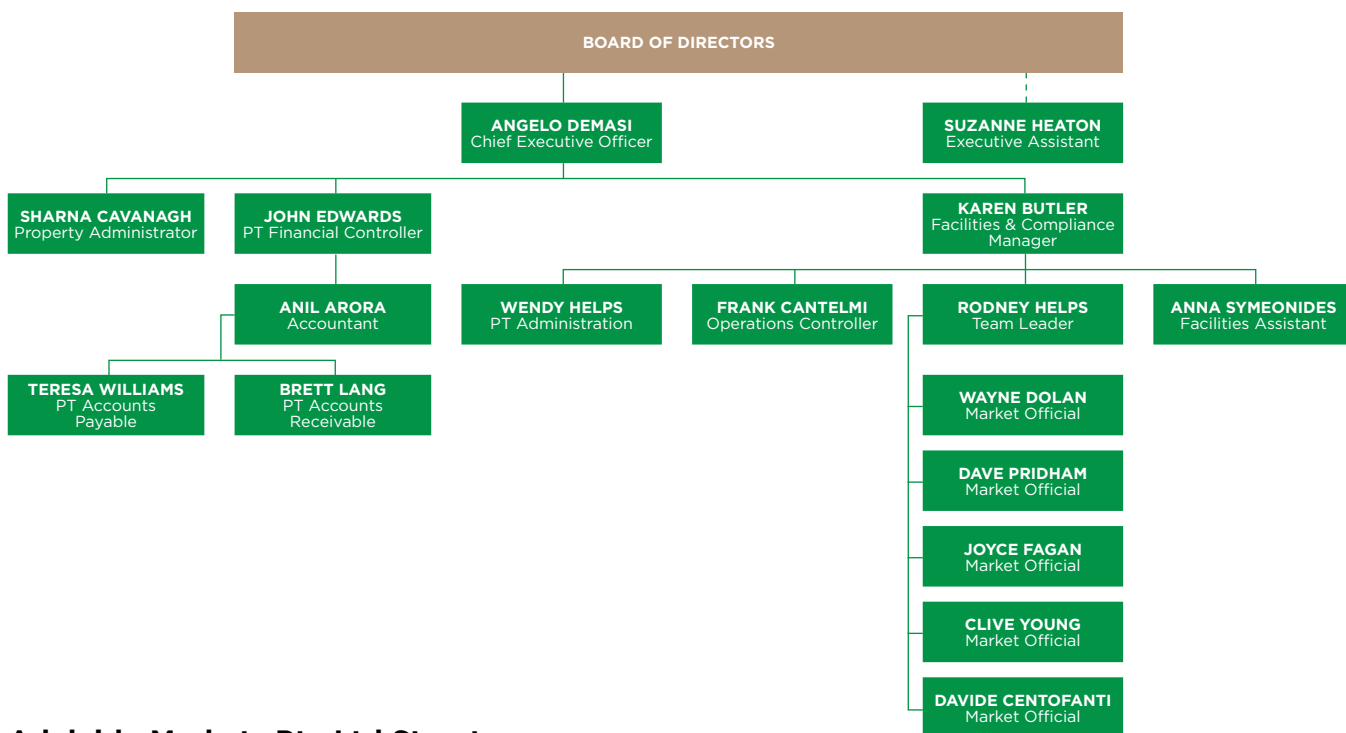
A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). This description forms part of our auditor's report.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

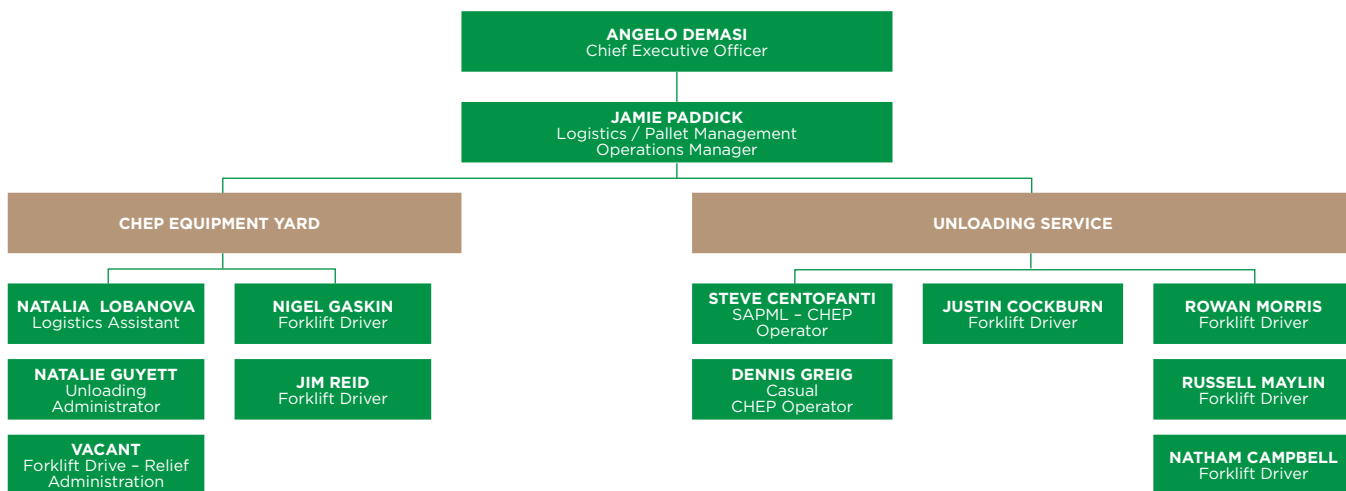
J L Humphrey  
Partner – Audit & Assurance

Adelaide, 24 September 2019

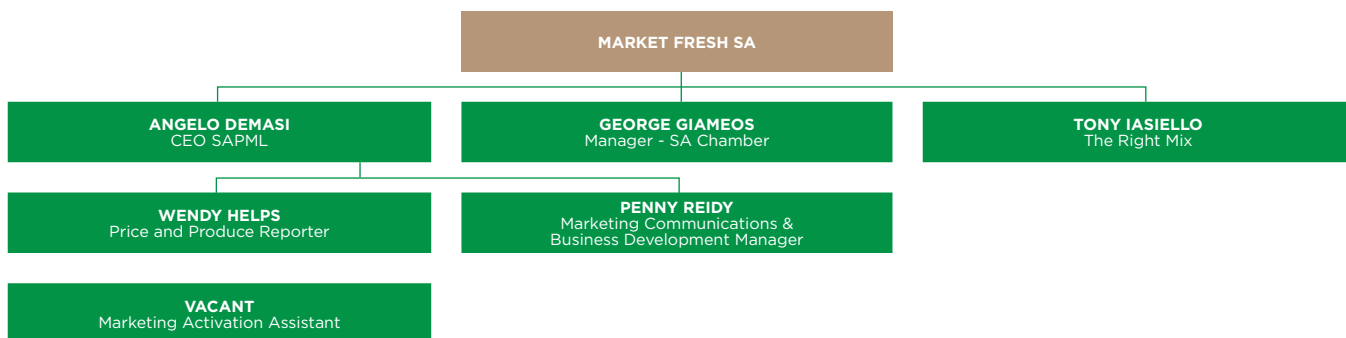
## SA Produce Market Limited Structure



## Adelaide Markets Pty Ltd Structure



## Market Fresh SA Pty Ltd Structure





**Directors**

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

**Secretary**

Angelo Demasi

**Registered office**

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**Share registrar**

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