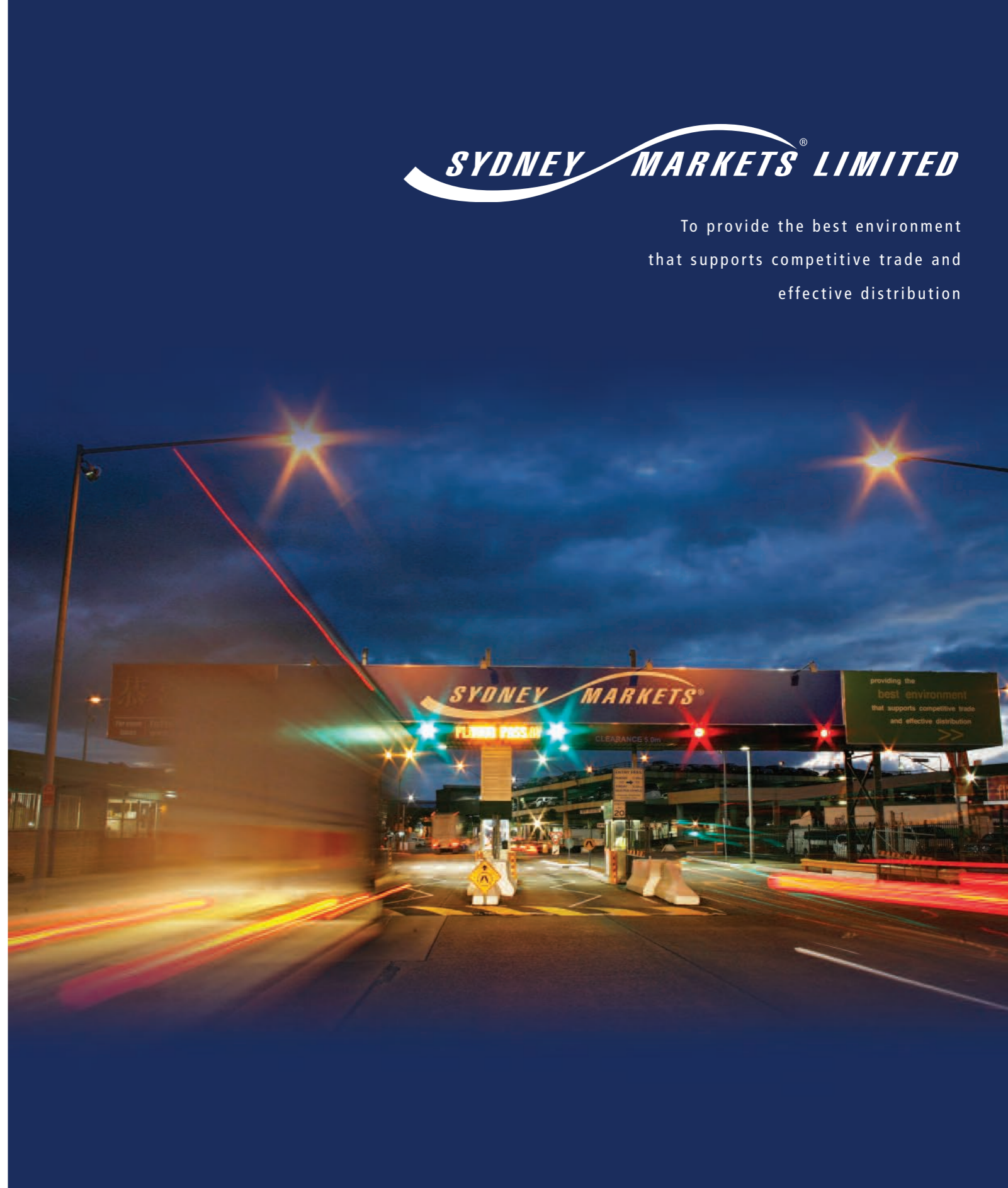




SYDNEY MARKETS LIMITED

To provide the best environment that supports competitive trade and effective distribution



ANNUAL REPORT 2008



JOHN PEARSON
Chairman of the Board



COLIN GRAY
Expertise Director



BILL LYNCH
Expertise Director



DAVID HYNES
Independent Director



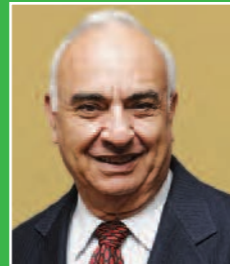
BILL McMAHON
Nominee Director
Growers Market



DAVID WHITEMAN
Nominee Director
Warehouses



COS CREMONA
Nominee Director
Wholesale Market



TONY BASSIL
Nominee Director
Flower Market



NEIL MATHEWS
Nominee Director
Retail Markets

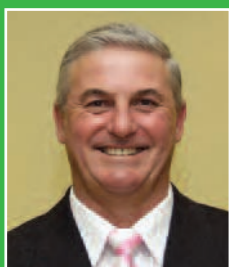
SENIOR MANAGEMENT



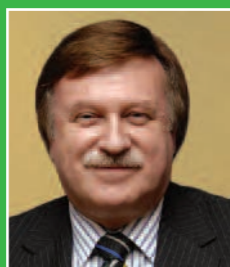
BRADLEY LATHAM
Chief Executive Officer



JOHN OLIVIERI
Nominee Director
Flower Market
from 23 July 2008



SHANE CHESTER
Head of Operations



GERRY DARAS
Head of Special Projects



ADRIAN SPRAGG
Company Secretary
Chief Financial Officer



MARTIN FORSTER
Head of Site Services

Sydney Markets Ltd



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SYDNEY MARKETS LIMITED
(continued)**

Auditor's Responsibility (continued)

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report. Our audit did not involve an analysis of the prudence of business decisions made by directors or management. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

- a) the financial report of Sydney Markets Limited and Sydney Markets Limited and its Controlled Entity is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b) the financial report also complies with International financial Reporting Standards as disclosed in Note 1.

WHK Horwath Sydney
WHK Horwath Sydney

David W. Sinclair
DAVID W. SINCLAIR
Principal

Dated at Sydney this 24th day of September 2008

Total Financial Solutions



Horwath refers to Horwath International Association a Swiss entity. Each member of the Association is a separate and independent legal entity.



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joint message from the Chairman & CEO

JOINT MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

We are very pleased to present the 2007/2008 Sydney Markets Limited Annual Report.

The 2007-2008 Financial Year has been one of significant growth highlighted by another strong financial performance and the finalisation of the 1st stage of the Master Plan process. The next phase of the Master Plan has commenced in conjunction with our Strategic Plan for the way ahead.

Highlights of the operating performance for Sydney Markets Limited during the year are:

FINANCIALS

- Profit after Tax of \$6.0 million was slightly down on the previous year's profit of \$6.3 million. The Operating Profit before tax without the revaluation of interest rate hedges is \$ 8.5 million compared to \$ 10.0 million last year which is a decrease of 15.5%.
- Total Operating Revenue for the year increased by 2.9% compared to last year. Consistently strong market occupancy levels resulted in growth in Rents, Dues and Fees of 2.7% which is consistent with our strategy of minimizing cost for market tenants wherever possible.
- Overall Operating Costs were up by 7.0% during the year. The reduction in professional fees and in finance costs from reduced debt have been more than offset by the increased repairs & maintenance expenditure.
- The profit after tax represents a return on equity of 14% and a return on funds employed of 5%. While the return on funds employed is slightly below the commercial rate, it is consistent with the strategy of balancing Sydney Market Limited's financial requirement with the need to provide facilities and services to shareholders at the lowest possible cost.
- The Total Capital Expenditure for the year was \$14 million. Main contributing factor is attributable to the purchase of adjoining land in accordance with our land acquisition strategy in line with our Master Plan. Properties purchased include 236-238 Parramatta Road and 218-220 Parramatta Road and the adjoining blocks 3, 5, 7, 9 Smallwood Ave Homebush.
- Sydney Markets Limited's Board continued commitment to reducing debt has seen borrowings for the purchase of the Sydney Markets site reduce from \$51.5 million at 1 July 2007 to \$49.0 million at 1 July 2008.

Other Highlights:

The Strategic Plan which formalises the company's direction over the next 5 years and beyond has been set at a time when Sydney Markets Limited has a strong base to work from and is moving forward in the knowledge of being a major player in the horticultural industry supply chain, and community market management through our Paddy's brand.

joint message from the Chairman & CEO

Over the next five years our focus will be on the following strategic imperatives:

1. Enhance the growth of Paddy's Market
2. Maximise the value and efficiency of Sydney Markets
3. Ensure the environmental sustainability of the site, and
4. Grow the SML business

The strategic imperatives confirm our Mission Statement towards providing the best environment that supports competitive trade and effective distribution, whilst delivering a sound financial performance.

- Part of the Sydney Markets Limited Branding process involved taking our Board meeting to the regional NSW town of Griffith during September 2007. This was an opportune time to present to Industry Associations, Growers and Packing sheds the benefits of the central market system. It also provided the forum to hear the views of growers within this region and gain a better understanding of the overall supply chain.

Sydney Markets Limited plans to visit Northern Queensland banana growing regions in the next reporting period.

- In June 2008, Mr John Olivieri was elected as new Nominee Director in the Flower Category to commence duties in July 2008. We congratulate Mr Olivieri on his appointment. We also thank the previous Director, Mr Tony Bassil who worked tirelessly for the benefit of the Markets.
- The 1st November 2007 was a milestone for Sydney Markets, marking 10 years since the NSW Government transferred ownership of Sydney Markets from the Sydney Markets Authority to Sydney Markets Limited. This effectively put the Markets destiny in our hands.
- Significant insurance premium reductions for both Industrial Special Risks (Property) and Public and Products Liability have been achieved over the last 2 years and has led to a change in our insurance broker. The reduction reflect both the soft insurance markets, which have probably reached the bottom of their respective cycles, and Sydney Markets Limited's ongoing active and successful claims management procedures.
- Despite the growing number of Retail Markets around the Sydney region, our Paddy's Market brands at both Haymarket and Flemington locations continue to experience strong growth in attendances. Our marketing campaign together with our involvement in the Chinese New Year Festival and the Community Relationship Program has continued to attract customers.
- Our Chief Executive Officer was appointed to the Horticultural Code Committee at the invitation of the then Minister for Agriculture, Mr Peter McGauran to provide advice to the Government on ways of making the Code a more workable document. At the time of writing this report the ACCC was reviewing the Code as part of its enquiry into the competitiveness of retail prices for groceries and will make recommendations for consideration by the Committee.

We will continue to liaise with Government to ensure the requirements of the Code are streamlined to allow a workable Code for Wholesalers and Growers.

- A continued strong focus on environmental management continues to deliver pleasing results. Five waste streams continue to be managed on site with a focus on source separation of organic, cardboard, steel, pallets and plastic. It is pleasing to note that in excess of 50% of our total waste volume is now recycled resulting in significant savings.

joint message from the Chairman & CEO

- A Special General Meeting was held in August 2007 to approve the issuing of Equity Entitlements for the yet to be constructed warehouse W located at the south-east end of the Market. This warehouse consists of approximately 5,800 sq. metres with the successful tenderer Harris Farm Markets expected to take occupation mid 2009.
- Negotiations are continuing with an Indian consortium who are tendering for the rights to design, construct and manage modern terminal Markets throughout India. Our role, pending finalisation of negotiations will be by way of supplying our extensive knowledge and expertise in relation to a world class central market operation.
- It is with great sadness we report Mr. Colin Johnson passed away during the year. Colin's dedication to Sydney Markets and Industry Organisations, in particular his contributions as a Director on the Sydney Markets Limited Board from 1998 to 2002 and prior to that with the Sydney Market Authority for some 20 years is greatly appreciated. He will be sadly missed.

Unfortunately some other Market identities passed away last year and these included Bruno Riccio whose fund raising efforts, particularly for The Victor Chang Cardiac Research Institute were legendary throughout the Markets. A month before Bruno's passing he received notification from the Australia Day Council that he would be presented with an 'Order of Australia' on Australia Day in recognition for his mammoth fund raising efforts.

All will be greatly missed.

In conclusion, our sincere thanks go to our Directors, Management, staff, contractors and to all stakeholders, in particular those who give their time to represent the Council of Market Representatives, Fresh for Kids Committee and the Paddy's Advisory Committee. Without this commitment, SML could not have achieved what it has done in the past 12 months.

At the time of writing all financial indicators show SML can look forward to another strong performance for the 2008-2009 year.



BRADLEY LATHAM
CHIEF EXECUTIVE OFFICER



JOHN PEARSON
CHAIRMAN

marketing report

marketing report

Marketing plays an important role in keeping the Sydney Markets brand active in the marketplace.

As well as successful marketing initiatives undertaken by Sydney's Paddy's Markets, Sydney Markets also conducts three other major marketing programs:

1. Fresh for Kids
2. Greengrocer of the Year
3. Florist of the Year

FRESH FOR KIDS

The Fresh for Kids program is aimed at combating the rising levels of obesity in school-age children by encouraging them to eat plenty of fresh fruit and vegetables and do more exercise.

The Program comprises numerous components that work both together and independently.

- The F & V Gang® – a lovable group of 5 life-size fruit and vegetable characters including Summa Strawberry®, Captain Capsicum®, Megabite Apple®, Oscar Orange® and Tamara Tomato®.
- www.freshforkids.com.au website
- A major sponsorship of the School Sports Foundation
- A Canteen Program that encourages children to make healthy choices
- A Retail Program that supports independent retailers of fresh fruit and vegetables
- A quarterly Canteen Fresh brochure that provides inspiration and demonstrates that fruit and vegetables can be easy to prepare.

The Fresh for Kids Program continues to increase in popularity and is licensed to both Brisbane and Newcastle Markets who are also enjoying similar successful results.

GREENGROCER OF THE YEAR

The Greengrocer of the Year Program rewards excellence in fresh produce retailing.

Throughout the year registered independent greengrocers across NSW and the ACT are frequented regularly by professional mystery shoppers who critique the stores' produce, cleanliness, level of customer service, in-store display, staff knowledge and merchandising skills all from a customer's perspective.

The information obtained by the professional mystery shoppers, together with additional industry criteria is used to determine the recipients of the Greengrocer of the Month awards and ultimately the Metropolitan and Regional Greengrocer of the Year awards which are presented at a Gala Dinner each year.

marketing report

marketing report

This program is very successful as it provides greengrocers with a summary on the positive aspects of their business and at the same time alerts them to areas that may require change, which in turn improves the public's perception within their store and at the same time improves productivity, with the end result being increased sales.

This long running program is popular within the industry as it promotes and acknowledges best practices and plays an important role in increasing the levels of retail excellence year after year.

FLORIST OF THE YEAR

The Sydney Markets Florist of the Year program is highly recognised within the industry and is considered to be a useful resource to participating florists, providing them with invaluable information on areas of their business which may require further improvement or highlighting areas which are doing exceptionally well.

Each year, participating florists are critiqued by mystery shoppers on several aspects of their business including customer service, environment, product knowledge and branding.

Monthly winners are chosen and the Florist of the Year is awarded at the annual industry dinner.

The Greengrocer and Florist of the Year programs have the added benefit of increasing wholesale trade for Sydney Markets Wholesalers.

Directors' report

Your Directors present their report on Sydney Markets Limited and its controlled entity (referred to hereafter as Sydney Markets) for the financial year ended 30 June 2008.

DIRECTORS

The names of Directors, all of whom are non executive, in office at any time during or since the end of the financial year are:

Mr John C. Pearson	Chairman
Mr William L. Lynch	
Mr Cosimo Cremona	
Mr William E. McMahon	
Mr Colin H. Gray	
Mr Neil W. Mathews	(Deputy Chairman since 23 July 2008)
Mr David J. Whiteman	
Mr David W. Hynes	
Mr Anthony G. Bassil	(to 23 July 2008, Deputy Chairman 22 August 2007 to 23 July 2008)
Mr Alvisio Olivieri	(since 23 July 2008)

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

COMPANY SECRETARY

The following person held the position of Company Secretary at the end of the financial year:

Adrian Spragg – B.Com/LL.B (UNSW), Chartered Accountant.

Mr Spragg's 28 years experience in Australia and overseas commenced in the audit and tax fields with a large Chartered Accounting practice, followed by various financial and general managerial roles in the fields of banking, industrial products, trading and import and distribution. He was appointed Company Secretary on 1 August 2005.

PRINCIPAL ACTIVITIES

The principal activities of Sydney Markets during the financial year were to manage and administer the Sydney Markets at Flemington and Haymarket.

No significant change in the nature of these activities occurred during the year.

OPERATING RESULTS

The after tax consolidated profit of Sydney Markets for the year ended 30 June 2008, as disclosed in the accounts, amounted to \$5,989,000, which compares favourably with \$6,322,000 for the year ended 30 June 2007.

The operating results are in line with the Board's expectations.

DIVIDEND PAID OR RECOMMENDED

No dividends were paid or recommended during the year. Sydney Markets' policy, as disclosed in the Prospectus, dated 16 February 1998, is that no dividends will be declared. In exceptional circumstances the Directors may elect to declare a dividend, however, the Directors do not currently envisage any circumstance giving rise to the declaration of a dividend.

The reason for Sydney Markets' dividend policy is that, in the opinion of the Directors, all cash and other reserves will need to be maintained, invested and accumulated in order to fund the costs associated with the continuation of the Central Markets.

Directors' report

Following the purchase of the Sydney Markets Site at Flemington from the NSW Government, the Board's policy has been to use any surplus cash resources to pay down its loan facility with the Bank and for the purchase of key adjoining properties to allow for future expansion.

REVIEW OF OPERATIONS

Some significant developments in the operations of Sydney Markets in the financial year have been:

- Through 2007-08 Sydney Markets continues the Sydney Markets Master Plan process and moved into the implementation stage, coupled with completion of the Strategic Plan. The Master Plan is to make better use of the existing Flemington site through improvements in operational efficiency, the construction of additional warehouse and other facilities, and the purchase of adjoining properties.
- A Special General Meeting held on 22 August 2007 approved the issue of equity interests for Warehouse W, and the construction of Warehouses L & W are expected for occupation by December 2008 and July 2009 respectively. Two additional Parramatta Rd properties were acquired through the year.
- The Strategic Plan was completed during the year. This outlines SML's strategic direction over the next five years. The strategic imperatives to address the key strategic issues and contribute to the achievement of our vision and goals are: securing tenure at Paddy's Markets in Haymarket, maximising the value and efficiency of Sydney Markets, environmental imperatives and growing the SML business.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than the matters mentioned above, there were no significant changes in the state of affairs of Sydney Markets during the year.

AFTER BALANCE DATE EVENTS

Sydney Markets holds several derivative financial instruments to manage the company's exposure to the risk of increases in interest rates relating to its borrowings. The unrealised gain or loss on the revaluation of those instruments fluctuates continuously as market interest rates move. Interest rates have decreased subsequent to the financial year end resulting in an unrealised loss on the derivative financial instruments as disclosed in note 27.

The Directors are not aware of any other matter or circumstance that has arisen since 30 June 2008 which has significantly affected or may significantly affect the operations of Sydney Markets, the results of those operations, or the state of affairs of Sydney Markets in subsequent financial years.

LIKELY DEVELOPMENTS

Apart from the matters mentioned above, the Directors are unaware of any other significant event or development in the operations of Sydney Markets and the expected results of those operations in future financial years, which will significantly change the state of affairs of Sydney Markets or its shareholders.

ENVIRONMENTAL ISSUES

Sydney Markets' operations are subject to significant environmental regulation under the laws of the Commonwealth and the State.

Sydney Markets Limited is subject to regulations under the Environmental Protection Authority Act in regards to the discharge of trade waste water and other liquid waste. Sydney Markets engages independent and registered testing companies to continuously monitor the discharge of trade waste water and other liquid waste from the Flemington site. Sydney Markets has complied with all the required regulations during the year ended 30 June 2008.

Directors' report

INFORMATION ON DIRECTORS (AS AT THE DATE OF THIS REPORT)

John C. PEARSON

– Non-Executive Director & Chairman

Experience:

- Board Member since 2003
- Experienced and successful finance executive with significant banking, building society and management exposure at senior levels.
- Director of Balmain Leagues Club
- Director of Tigers Advisory Group Pty Ltd
- Director of R.P. Cricket Pty Ltd – T/A Randwick Petersham Foundation

SML Committees:

- Finance & Audit, Remuneration, Master Plan, Strategic Plan

Interest in shares:

- Nil

Colin H. GRAY

– Non-Executive Expertise Director

Qualifications:

- Qualified Accountant (CPA)
- Associate Fellow, Australian Institute of Management (AFAIM)
- Member, Australian Institute of Training and Development (MAITD)
- Associate Fellow, Australian Society of Association Executives (AFSAE)
- Graduate, Australian Army Command and Staff College (the Army's highest training institution)

Experience:

- Board Member since 1997
- Worked as an accountant in private industry
- More than 20 years service with the Australian Army in command, training and operational appointments in Australia, South East Asia and Europe and with the United Nations in the Middle East. Achieved the rank of Lieutenant Colonel
- Over 14 years experience in the Fruit & Vegetables Industry
- Past Chairman, Sydney Markets Industries Group
- Chief Executive Officer, The NSW Chamber of Fruit and Vegetable Industries Inc.
- Executive Director, The Australian Chamber of Fruit and Vegetable Industries Ltd.
- Secretary, Chamber (Holdings) Pty Ltd
- Secretary, NSW Chamber (Services) Pty Ltd

SML Committees:

- Finance & Audit, Master Plan, Strategic Plan, Fresh for Kids

Interest in shares:

- Nil

Directors' report

William L. LYNCH

Experience:

- **Non-Executive Expertise Director**
- Board Member since 1998
- Over 51 years in the Australian Horticulture Industry as a grower, wholesaler and retailer
- Director of several companies in the flower industry, including:
 - W & D Lynch Pty Ltd
 - Carismatic Pty Ltd
- Past President, Australian Flower Growers Association
- Past President, Flower Growers Group of NSW Inc
- Associate Member, NSW Chamber of Fruit and Vegetable Industries Inc.

SML Committees:

- Remuneration

Interest in shares:

- 10 Retail Markets Ordinary; and 7 Flower Market Ordinary Shares

David W. HYNES

Qualifications:

- **Non-Executive Independent Director**

Experience:

- B.Ec / LL.B (Sydney Uni)
- Board Member since 2005
- Executive Director of Winston Langley Pty Limited, a property development and property advisory organisation
- Director of Manchester Unity Australia Limited
- Director of the Australian Baseball Federation
- Member, Sydney University Senate/Sports Liaison Committee
- Member, Australian Institute of Company Directors

SML Committees:

- Remuneration, Master Plan, Strategic Plan

Interest in shares:

- Nil

William E. McMAHON

Experience:

- **Non-Executive Nominee Director – Growers Market**
- Board Member since 1998
- Over 50 years experience as a fruit and vegetable grower
- A lifetime's experience as an industry representative at executive level on grower organisations
- Secretary, NSW Free Growers Horticultural Council
- Secretary, Lower Nepean /Hawkesbury Water Users Association
- Member, Coastal Valleys Customer Service Committee of State Water
- Past Member, Sydney Markets Industries Group representing sixteen Markets organisations

SML Committees:

- Property

Interest in shares:

- Nil

Directors' report

David J. WHITEMAN

Qualifications:

Experience:

SML Committees:

Interest in shares:

– Non-Executive Nominee Director – Warehouses

- BA (Macquarie University) majoring in Economics & Financial Studies
- Board Member since 2004
- Over 41 years experience in the fruit and vegetable industry
- Director of several companies in the fruit and vegetable industry, including:
 - C J Lewis Pty Ltd
 - C J Lewis Aust Pty Ltd
 - Mount View (Batlow) Pty Ltd
 - Davic Investments Pty Ltd
 - Chamber (Holdings) Pty Ltd
 - NSW Chamber (Services) Pty Ltd
- Vice President, The NSW Chamber of Fruit and Vegetable Industries Inc.
- Chairman, S.M.C.S. Co-operative Ltd
- Chairman, Environment Management
- Nil

Cosimo CREMONA

Experience:

SML Committees:

Interest in shares:

– Non-Executive Nominee Director – Wholesale

- Board Member since 2002
- Over 29 years experience in the fruit and vegetable industry
- Director of several companies in the fruit and vegetable industry, including:
 - Cremona Bros Pty Ltd
 - Loftden Pty Ltd
 - S.M.C.S. Co-operative Ltd
- Member of the Lions Club, Flemington
- Member, NSW Chamber of Fruit and Vegetable Industries Inc.
- Environment Management
- 3 Wholesale Ordinary Shares; and 2 Warehouse Ordinary Shares

Anthony G. BASSIL

Experience:

SML Committees:

Interest in shares:

– Non-Executive Nominee Director – Flower Market

- Board Member 1999-2002, 2005 - 2008
- 52 years involvement in the flower growing and market industry
- Director of George Bassil & Son Pty Ltd.
- Former Vice President of NSW Flower Growers Association
- Environment Management (until July 08)
- Nil

Directors' report

Alvisio (John) OLIVIERI – Non-Executive Nominee Director – Flower Market

- Experience:
- Board Member since July 2008
 - 30 years involvement in the cut flower industry
 - Director of A & L Property Developments Pty Ltd.
 - Former Vice President of NSW Flower Growers Association
- SML Committees:
- Nil
- Interest in shares:
- 10 Flower Market Ordinary Shares

Neil W. MATHEWS – Non-Executive Nominee Director – Retail Markets

- Qualifications:
- Engineering Trade – Sydney Technical College
 - Production Engineering – University of Technology
 - Post Graduate Subjects – University of NSW
- Experience:
- Deputy Chairman, Board Member since 1998
 - Foundation Committee original Paddy's Association
 - Representative, Paddy's Advisory Committee
 - Past Representative, Sydney Markets Industries Group
 - Co-founder, Bessemer Party Plan
 - Co-founder, Supreme Industries Pty Ltd
 - Past General Manager, Raco-Bissell
 - Past Product Manager, Rex Aluminium
- SML Committees:
- Environment Management, Property, Strategic Plan
- Interest in shares:
- Nil

MEETINGS OF DIRECTORS

Details of Directors' meetings held during the financial year ended 30 June 2008 and Directors' attendances at these meetings were as follows:

Director	Directors' Meetings		Finance & Audit Committee Meetings	
	Number of Meetings held whilst a Director	Meetings attended	Number Meetings held	Meetings attended
John C. PEARSON	12	12	9	9
Neil W. MATHEWS	12	11	–	–
Cosimo CREMONA	12	12	–	–
Colin H. GRAY	12	12	9	9
William L. LYNCH	12	10	–	–
William E. McMAHON	12	11	–	–
David J. WHITEMAN	12	12	–	–
Anthony G. BASSIL	12	11	–	–
David J. HYNES	12	11	–	–

Directors attended various meetings of other Board committees during the year.

Directors' report

DIRECTORS AND OFFICERS REMUNERATION

No Director or Officer of Sydney Markets is a party to any contract with Sydney Markets under which the Director or Officer is entitled to a benefit except for:

1. Directors' and Officers' Fees and Remuneration as shown in Sydney Markets' Financial Statements (Note 6).
2. Interests or involvement in a company or entity that has a lease or licence with Sydney Markets on terms and conditions no more favourable than those of other Market tenants (Note 24).

INDEMNIFYING OFFICERS AND AUDITORS

During the financial year, Sydney Markets paid insurance premiums for Directors and Officers Liability Insurance in respect of any person who is or has been a Director or Officer of Sydney Markets. The terms of the policy do not allow the amount of the premium to be disclosed.

CORPORATE GOVERNANCE

Board Composition

The composition of the Board is in accordance with the criteria laid down in Sydney Markets Limited's Constitution.

Directors' Shareholdings

No Director holds or is able to hold any share in Sydney Markets Limited except where he has a share entitlement as a holder of tradeable space in accordance with Sydney Markets Limited's Constitution.

Directors' Committees

Directors' Committees encompassing Finance & Audit, Environment Management, Property, Remuneration, Master Plan and Strategic Plan operated during the year and these committees meet on a regular basis.

Ethical Standards

Directors, staff and contractors are required to abide by Sydney Markets Limited's Code of Conduct.

OPTIONS

No options over shares were granted or redeemed during the year. Sydney Markets Limited's Constitution precludes share options.

Directors' report

PROCEEDINGS ON BEHALF OF SYDNEY MARKETS

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

Sydney Markets was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2008 has been received and can be found on page 14 of the Directors' report.

ROUNDING OF AMOUNTS

Sydney Markets has applied the relief available to it in ASIC Class Order 98/100 and, accordingly, amounts in the Financial Report and Directors' report have been rounded to the nearest thousand dollars.

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



J.C. PEARSON
CHAIRMAN



C.H. GRAY
DIRECTOR

Dated at Sydney this 24th day of September, 2008

auditor's independence declaration

Directors' report



AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF SYDNEY MARKETS LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2008 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

WHK Horwath Sydney
.....
WHK HORWATH SYDNEY

David W. Sinclair
.....
DAVID W. SINCLAIR
Principal

Dated at Sydney this 24th day of September 2008

Total Financial Solutions



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www.whkhorwath.com.au
A WHK Group Firm

income statement

for the year ended

30th June 2008

		CONSOLIDATED		PARENT ENTITY	
	Note	2008	2007	2008	2007
		\$000	\$000	\$000	\$000
Operating Revenue	3	46,820	45,489	46,954	45,440
Other Income	3	519	667	519	667
		47,339	46,156	47,473	46,107
Property costs		(17,061)	(16,094)	(16,987)	(16,043)
Payroll costs		(4,804)	(4,446)	(4,804)	(4,446)
Repairs and maintenance		(3,976)	(2,669)	(3,972)	(2,669)
Management & administration costs		(665)	(684)	(665)	(684)
Finance costs	4	(3,965)	(4,138)	(3,965)	(3,951)
Advertising and promotion		(3,704)	(3,589)	(3,704)	(3,589)
Professional fees		(894)	(1,124)	(894)	(1,124)
Depreciation & amortisation	4	(4,308)	(4,068)	(4,288)	(4,055)
TOTAL EXPENSES		(39,377)	(36,812)	(39,279)	(36,561)
Profit before income tax		7,962	9,344	8,194	9,546
Income tax expense	5	(1,973)	(3,022)	(2,042)	(3,082)
Profit attributable to members		5,989	6,322	6,152	6,464

The accompanying notes form part of these Financial Statements

balance sheet

as at

30th June 2008

	Note	CONSOLIDATED		PARENT ENTITY	
		2008	2007	2008	2007
		\$000	\$000	\$000	\$000
CURRENT ASSETS					
Cash and cash equivalents	8	5,557	7,241	5,557	7,241
Trade and other receivables	9	4,417	4,425	8,271	8,007
Other current assets	10	1,127	1,338	1,127	1,338
Total Current Assets		11,101	13,004	14,955	16,586
NON-CURRENT ASSETS					
Financial assets	11	–	–	–	–
Property, plant & equipment	13	103,589	93,885	100,418	90,694
Derivative financial instruments	26	845	332	845	332
Deferred tax assets	17(b)	3,734	2,878	3,734	2,878
Total Non-Current Assets		108,168	97,095	104,997	93,904
TOTAL ASSETS		119,269	110,099	119,952	110,490
CURRENT LIABILITIES					
Trade and other payables	14	6,424	4,395	6,802	4,644
Other current liabilities	15	9,627	6,604	9,627	6,604
Financial liabilities	16	1,250	1,250	1,250	1,250
Current tax liabilities	17(a)	618	1,896	618	1,896
Provisions	18	205	184	205	184
Total Current Liabilities		18,124	14,329	18,502	14,578
NON-CURRENT LIABILITIES					
Financial liabilities	16	50,500	51,500	50,500	51,500
Deferred tax liabilities	17(b)	8,384	8,055	8,384	8,055
Provisions	18	148	91	148	91
Derivative financial instruments	26	–	–	–	–
Total Non-Current Liabilities		59,032	59,646	59,032	59,646
TOTAL LIABILITIES		77,156	73,975	77,534	74,224
NET ASSETS		42,113	36,124	42,418	36,266
EQUITY					
Issued capital	19	7	7	7	7
Retained earnings		42,106	36,117	42,411	36,259
TOTAL EQUITY		42,113	36,124	42,418	36,266

The accompanying notes form part of these Financial Statements

statement of changes in equity

for the year ended

30th June 2008

CONSOLIDATED				
	Note	Issued Capital \$000	Retained Earnings \$000	Total \$000
Balance at 1 July 2006		7	29,795	29,802
Profit attributable to the members		–	6,322	6,322
Balance at 30 June 2007		7	36,117	36,124
Profit attributable to the members		–	5,989	5,989
Balance at 30 June 2008		7	42,106	42,113

PARENT ENTITY				
	Note	Issued Capital \$000	Retained Earnings \$000	Total \$000
Balance at 1 July 2006		7	29,795	29,802
Profit attributable to the members		–	6,464	6,464
Balance at 30 June 2007		7	36,259	36,266
Profit attributable to the members		–	6,152	6,152
Balance at 30 June 2008		7	42,411	42,418

The accompanying notes form part of these Financial Statements

cash flow statement

for the year ended

30th June 2008

		CONSOLIDATED		PARENT ENTITY	
		2008	2007	2008	2007
	Note	\$000	\$000	\$000	\$000
Cash Flows from Operating Activities					
Cash receipts from tenants and customers		54,547	46,243	54,717	46,194
Cash payments to suppliers and employees		(33,676)	(28,703)	(33,613)	(28,403)
Income tax paid		(3,837)	(3,015)	(3,778)	(3,015)
Interest received		254	378	235	378
Finance costs		(3,965)	(4,138)	(3,965)	(3,951)
Net cash provided by/(used in) operating activities	23(a)	13,323	10,765	13,596	11,203
Cash Flows from Investing Activities					
Loans to subsidiary company		–	–	(273)	(3,642)
Purchase of property, plant and equipment		(14,007)	(8,197)	(14,007)	(4,993)
Proceeds from sale of property, plant and equipment		–	243	–	243
Net cash provided by/(used in) investing activities		(14,007)	(7,954)	(14,280)	(8,392)
Cash Flows from Financing Activities					
Repayment of borrowings		(1,000)	(5,000)	(1,000)	(5,000)
Net cash provided by/(used in) financing activities		(1,000)	(5,000)	(1,000)	(5,000)
Net increase/(decrease) in cash held		(1,684)	(2,189)	(1,684)	(2,189)
Cash at the beginning of the year		7,241	9,430	7,241	9,430
Cash at the end of the financial year	8	5,557	7,241	5,557	7,241

The accompanying notes form part of these Financial Statements

notes to the financial statements

for the year ended

30th June 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Report covers the consolidated group of Sydney Markets Limited and its controlled entity, and Sydney Markets Limited as an individual parent entity. Sydney Markets Limited is a public company limited by shares, incorporated and domiciled in Australia.

BASIS OF PREPARATION

The Financial Report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The following is a summary of the material accounting policies adopted by Sydney Markets in the preparation of the Financial Report. The accounting policies have been consistently applied, unless otherwise stated.

The Financial Report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(a) Principles of Consolidation

A controlled entity is any entity Sydney Markets Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

Details of the controlled entity are contained in Note 12 to the financial statements. The controlled entity has a June financial year-end. As at reporting date, the assets and liabilities of the controlled entity have been incorporated into the consolidated financial statements as well as its result for the year then ended.

All inter-company balances and transactions between entities in the consolidated group of Sydney Markets Limited and its controlled entity have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

(b) Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the reporting date. Current tax liabilities are therefore measured at the amounts expected to be paid to the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

notes to the financial statements for the year ended

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiary, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Sydney Markets Limited and its effectively wholly-owned subsidiary have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax assets and liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable under the separate taxpayer in-group method.

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at historical cost less, where applicable, any accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Freehold land and buildings are measured at cost, less subsequent depreciation for buildings.

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to Sydney Markets and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets, other than motor vehicles, is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Motor vehicles are depreciated on a diminishing basis commencing from the date of acquisition. The depreciation rates used for each class of property, plant and equipment is:

Class of Fixed Asset	Depreciation Rate	Depreciation Method
Buildings	2.5%	Straight line
Plant and machinery	17%	Straight line
Fixtures, fittings and equipment	17%	Straight line
Motor vehicles	22.5%	Diminishing value

30th June 2008

Assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount [refer to Note 1(f)].

Gains and losses on disposals are determined by comparing disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are recognised on a net basis in the income statement.

(d) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases, inclusive of any up front incentives received or paid, is recognised as income on a straight-line basis over the lease term.

(e) Financial Instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

notes to the financial statements for the year ended

Derivative 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. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Sydney Markets has determined that its derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. Sydney Markets uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term financial instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

Fair value

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by Sydney Markets is the current bid price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to Sydney Markets for similar financial instruments.

Impairment

At each reporting date, Sydney Markets assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

(f) Impairment of Assets

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

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

(g) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

30th June 2008

(h) Provisions

Provisions are recognised when Sydney Markets has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

(i) 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(j) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised on an accrual basis as it is earned. Unearned income represents rental and other amounts received or receivable from tenants in respect of periods subsequent to the reporting period.

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

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

(k) Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impairment of receivables, ie. allowance for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for impairment of receivables is established when there is objective evidence that Sydney Markets will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The movement in the allowance is recognised in the income statement.

(l) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to Sydney Markets prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Contributed Equity

Ordinary shares are classified as equity as they entitle the holder to a residual interest in the net assets of Sydney Markets, in proportion to their respective tradeable space, so that each share is "stapled" to one unit of tradeable space.

(n) Promotional Levies

Promotional levies are monies derived from levies on tenants where the funds are allocated to the promotion of the relevant area of the Markets. Any unused portion of these levies is recorded as a liability until expended.

notes to the financial statements for the year ended

(o) Goods and Services Tax

Revenues, expenses and assets purchased are recognised net of the amount of goods and services tax (GST). Receivables and payables are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables.

(p) Rounding of Amounts

The relief available under ASIC Class Order 98/0100 has been applied and accordingly, amounts in the Financial Report have been rounded off to the nearest thousand dollars, except for the financial assets information at Note 11 and issued capital information at Note 19 to the Financial Report.

(q) Approval of Financial Report

The Financial Report was authorised for issue on 24 September 2008 by the Board of Directors.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Directors evaluate estimates and judgments incorporated into the Financial Report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within Sydney Markets.

Key Estimates & Judgements – Impairment

Sydney Markets assesses impairment at each reporting date by evaluating conditions specific to Sydney Markets that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

30th June 2008

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
Note	\$000	\$000	\$000	\$000
3. REVENUE				
Operating Activities				
Rents	18,173	17,628	18,078	17,579
Dues & fees	16,341	15,964	16,341	15,964
Other operating income	8,268	7,648	8,268	7,648
Advertising & promotion	2,801	2,841	3,049	2,841
Consideration on transfer of licences & leases	790	651	790	651
Bank and term deposit interest	254	378	235	378
Other revenue	193	379	193	379
Total Revenue	46,820	45,489	46,954	45,440
Non-operating Activities				
Fair value gains on derivative financial instruments	514	664	514	664
Net (loss)/gain on disposal of property, plant & equipment	3	5	3	
Other Income	519	667	519	667
Total Revenue & Other Income	47,339	46,156	47,473	46,107
4. EXPENSES				
Total expenses includes the following items:				
Finance costs to external parties	3,965	4,138	3,965	3,951
Depreciation of non-current assets:				
– Buildings	1,308	1,281	1,297	1,273
– Plant and equipment	2,971	2,639	2,962	2,634
– Leasehold improvements	29	148	29	148
Total depreciation & amortisation	4,308	4,068	4,288	4,055
Provision for employee entitlements	398	332	398	332
Rental expense on operating leases	3,491	3,405	3,491	3,405

notes to the financial statements for the year ended

5. INCOME TAX EXPENSE

(a) The components of tax expense comprise:

	CONSOLIDATED		PARENT ENTITY	
Note	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Current tax	2,384	3,140	2,453	3,200
Deferred tax	526	(226)	526	(226)
Under/(over) provision in respect of prior years	(270)	108	(270)	108
Other differences	(667)	—	(667)	—
	<u>1,973</u>	<u>3,022</u>	<u>2,042</u>	<u>3,082</u>

(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Prima facie tax payable on profit from ordinary activities before income tax at 30% (2007: 30%)	2,389	2,804	2,458	2,864
Add:				
Tax effect of:				
Other non-allowable items	(5)	(14)	(5)	(14)
Adjustment for (over)/under provision of tax in prior year	(270)	337	(270)	337
Adjustment to tax cost base of buildings, plant & equipment	(141)	(105)	(141)	(105)
Income tax expense attributable to entity	<u>1,973</u>	<u>3,022</u>	<u>2,042</u>	<u>3,082</u>
The applicable weighted average effective tax rates are as follows:	<u>25%</u>	<u>32%</u>	<u>25%</u>	<u>32%</u>

The decrease in the weighted average effective tax rate for 2008 is a result of an overprovision in tax in 2007.

(c) Balance of franking account at the year-end adjusted for franking credits arising from payment of income tax payable and franking credits that may be prevented from distribution in subsequent financial years. Under legislation that took effect on 1st July 2002, the amount recorded in the Franking Account is the amount of Australian Income Tax paid, rather than franking credits based on after tax profits.

	<u>26,533</u>	<u>22,437</u>	<u>26,533</u>	<u>22,437</u>
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30th June 2008

6. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Names and positions held of key management personnel in office at any time during the financial year are:

(i) Directors

All Directors are non-executive.

Key Management Person	Position
Mr J. C. Pearson	Chairman
Mr C. H. Gray	Expertise Director
Mr W. L. Lynch	Expertise Director
Mr D. W. Hynes	Independent Director
Mr W. E. McMahon	Nominee Director – Growers Market
Mr D. J. Whiteman	Nominee Director - Warehouses
Mr C. Cremona	Nominee Director - Wholesale
Mr A. Bassil	Nominee Director – Flower Market
Mr N. W. Mathews	Nominee Director – Retail Markets

(ii) Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of Sydney Markets, directly or indirectly, during the financial year:

Key Management Person	Position
Mr B. R. Latham	Chief Executive Officer
Mr A. Spragg	Chief Financial Officer/Company Secretary
Mr G. Daras	Head of Special Projects /Head of Operations
Mr S. Chester	Head of Operations (from 9.4.08)
Mr T. C. Hughes	Head of Site Services (to 1.10.07)
Mr M. Forster	Head of Site Services (from 1.10.07)

notes to the financial statements for the year ended

6. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

(b) Compensation Practices

The Board's policy for determining the nature and amount of compensation of key management personnel for Sydney Markets is as follows:

The compensation structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned and overall performance of Sydney Markets. The contracts for service between Sydney Markets and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future.

The Remuneration Committee sets senior management salaries and bonuses, based on individual key performance indicators agreed and reviewed on the anniversary of employment date.

The objective of Sydney Markets' senior management reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns their reward with achievement of strategic and operating objectives, and conforms with market best practice for delivery of reward. The Board ensures that senior management reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage
- transparency

The employment conditions of the Chief Executive Officer and other key management personnel are formalised in open contracts of employment, generally requiring three to six months notice of termination.

Directors' fees are determined within an aggregate Directors' fee pool limit. The pool limit for the 2008 year was \$390,000 as approved by the shareholders.

30th June 2008

6. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

(c) Key Management Personnel Compensation

2008

Key Management Person	Short-Term Benefits			Post-employment Benefit	Total	Performance Related %
	Cash, salary & commissions	Non-cash benefit	Other	Super-annuation		
	\$000	\$000	\$000	\$000	\$000	
Directors						
Mr J. C. Pearson	87	—	—	8	95	—
Mr W. E. McMahon	33	1	—	3	37	—
Mr C. H. Gray	33	1	—	3	37	—
Mr C. Cremona	33	1	—	3	37	—
Mr N. W. Mathews	33	1	—	3	37	—
Mr W. L. Lynch	33	1	—	3	37	—
Mr D. J. Whiteman	—	1	—	36	37	—
Mr A. Bassil	—	1	—	36	37	—
Mr D. W. Hynes	33	1	—	3	37	—
Other key management personnel						
Mr B. R. Latham	231	9	—	48	288	14%
Mr A. Spragg	159	—	—	13	172	—
Mr G. Daras	59	17	—	49	125	3%
Mr S. Chester	77	11	—	7	95	3%
Mr M. Forster	99	—	—	11	110	2%
Mr T. C. Hughes	50	4	—	25	79	—
	960	49	—	251	1,260	

notes to the financial statements for the year ended

6. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

2007

Key Management Person	Short-Term Benefits			Post-employment Benefit	Total	Performance Related %
	Cash, salary & commissions	Non-cash benefit	Other	Super-annuation		
	\$000	\$000	\$000	\$000	\$000	
Directors						
Mr J. C. Pearson	79	–	–	7	86	–
Mr W. E. McMahon	29	1	–	3	33	–
Mr C. H. Gray	29	1	–	3	33	–
Mr C. Cremona	29	1	–	3	33	–
Mr N. W. Mathews	29	1	–	3	33	–
Mr W. L. Lynch	29	1	–	3	33	–
Mr D. J. Whiteman	29	1	–	3	33	–
Mr A. Bassil	29	1	–	3	33	–
Mr D. W. Hynes	29	1	–	3	33	–
Other key management personnel						
Mr B. R. Latham	185	12	–	33	230	–
Mr A. Spragg	160	–	–	13	173	1%
Mr G. Daras	73	16	–	28	117	3%
Mr T. C. Hughes	69	23	–	49	141	3%
	798	59	–	154	1,011	

(d) Shareholdings

Number of Shares held directly or indirectly, or beneficially held by Key Management Personnel

	Balance 1.7.2007	Net Charge Other	Balance 30.6.2008
Mr C. Cremona	5	–	5
Mr W. L. Lynch	17	–	17
Total	22	–	22

30th June 2008

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
Note	\$000	\$000	\$000	\$000
7. AUDITOR'S REMUNERATION				
Remuneration of the auditor of Sydney Markets for:				
– Auditing and review of the Financial Statements	113	118	113	118
– Other services	38	34	38	34
	151	152	151	152
8. CASH AND CASH EQUIVALENTS				
Cash at bank and in hand	4,557	7,241	4,557	7,241
Short-term bank deposits	1,000	–	1,000	–
	5,557	7,241	5,557	7,241
The effective interest rate on short-term bank deposits was 6.80% (2007: 6.40%); these deposits have an average maturity of 30 days.				
9. TRADE AND OTHER RECEIVABLES				
Trade receivables	998	877	998	877
Receivables invoiced in advance	3,085	2,784	3,085	2,784
Provision for impairment of receivables	(210)	(200)	(210)	(200)
	3,873	3,461	3,873	3,461
Accrued income	653	519	653	519
Other receivables	(109)	445	(109)	445
Amounts receivable from subsidiary	–	–	3,854	3,582
	4,417	4,425	8,271	8,007
An unsecured loan is made to the subsidiary on an arm's length basis. There is no fixed repayment term for the loan.				
Provision for Impairment of Receivables				
Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item.				
Movement in the provision for impairment of receivables is as follows:				
Opening balance at 1 July 2007	200	189	200	189
Charge for the year	20	27	20	27
Amounts written off	(10)	(16)	(10)	(16)
Balance at 30 June 2008	210	200	210	200
10. OTHER CURRENT ASSETS				
Prepayments	1,127	1,338	1,127	1,338

notes to the financial statements for the year ended

	Note	CONSOLIDATED		PARENT ENTITY	
		2008	2007	2008	2007
		\$	\$	\$	\$
11. FINANCIAL ASSETS					
Available-for-sale financial assets comprise:					
Unlisted investment in controlled entity	12	–	–	1	1

Available-for-sale financial assets comprise investment in the ordinary issued capital of the controlled entity. There is no fixed return or fixed maturity date attached to the investment. No intention to dispose of the financial assets existed at 30 June 2008.

12. CONTROLLED ENTITIES

Controlled Entities	Country of Incorporation	Percentage Owned (%)	
		2008	2007
Parent Entity:			
Sydney Markets Limited	Australia	N/A	N/A
Subsidiary:			
Flemington Storage Pty Limited	Australia	100%	100%

	Note	CONSOLIDATED		PARENT ENTITY	
		2008	2007	2008	2007
		\$000	\$000	\$000	\$000
13. PROPERTY, PLANT AND EQUIPMENT					
Freehold Land at cost		48,668	37,978	45,935	35,245
Total Land		48,668	37,978	45,935	35,245
Buildings at cost		52,479	51,458	52,054	51,033
Less: accumulated depreciation		(7,629)	(6,322)	(7,610)	(6,313)
Total Buildings		44,850	45,136	44,444	44,720
Total Land & Buildings		93,518	83,114	90,379	79,965
Plant and equipment at cost		27,157	24,993	27,111	24,946
Less: accumulated depreciation		(17,380)	(14,478)	(17,366)	(14,473)
Total Plant & Equipment		9,777	10,515	9,745	10,473
Leasehold improvements at cost (Haymarket)		401	333	401	333
Less: accumulated amortisation		(107)	(77)	(107)	(77)
Total Leasehold Improvements		294	256	294	256
Total Property, Plant & Equipment		103,589	93,885	100,418	90,694

30th June 2008

(a) Movements in Carrying Amounts

	Freehold Land \$000	Buildings \$000	Plant & Equipment \$000	Leashold Improvements \$000	Total \$000
Balance at the beginning of the year	37,978	45,136	10,515	256	93,885
Additions	11,193	519	5,060	67	16,839
Disposals	(503)	503	(2,827)	–	(2,827)
Depreciation expense	–	(1,308)	(2,971)	(29)	(4,308)
Balance at the end of the year	48,668	44,850	9,777	294	103,589

The Land and Buildings with building fixtures, fittings, plant and equipment were independently valued by Urbis JHD, Registered Property Valuer, as at 31 December 2004. In the valuer's opinion, the 'fair value' for financial reporting purposes was \$143 million.

	Note	CONSOLIDATED		PARENT ENTITY	
		2008	2007	2008	2007
		\$000	\$000	\$000	\$000
14. TRADE AND OTHER PAYABLES					
Unsecured liabilities					
Sundry payables and accruals		5,944	3,932	6,322	4,181
Employee benefits		502	460	502	460
Promotion levies		(22)	3	(22)	3
		6,424	4,395	6,802	4,644
15. OTHER CURRENT LIABILITIES					
Rents and other income billed in advance		4,699	4,688	4,699	4,688
Rents and other income received in advance		4,928	1,916	4,928	1,916
		9,627	6,604	9,627	6,604
16. FINANCIAL LIABILITIES					
(a) CURRENT					
Commercial bill facility		1,250	1,250	1,250	1,250
(b) NON-CURRENT					
Commercial bill facility		50,500	51,500	50,500	51,500
(c) Total current and non-current secured liabilities:					
Commercial bill facility		51,750	52,750	51,750	52,750
(d) The carrying amount of non-current assets pledged as security are:					
First mortgage over freehold land & building		90,379	77,139	90,379	77,139
Floating charge over all other assets		24,700	32,960	24,700	32,960
Total assets pledged as security		115,079	110,099	115,079	110,099

notes to the financial statements for the year ended

16. FINANCIAL LIABILITIES (CONT'D)

- (e) Finance has been provided and will continue to be provided by the Bank under the approved commercial bill facility provided Sydney Markets does not breach any borrowing covenants, which include a number of financial ratios. As at the date of this report Sydney Markets has met all the obligations and covenants set by the Bank.

The commercial bill facility is secured by a registered first mortgage over the Sydney Markets property at Flemington, as well as an equitable mortgage over the whole of the assets of Sydney Markets.

Sydney Markets has entered into interest rate swap agreements in order to hedge part of its borrowings against rises in interest rates by converting variable interest rate obligations into fixed rate obligations. The contracts require settlement of the net interest receivable or payable. The net receipt or payment is brought to account as an adjustment to borrowing costs. Net receipts or payments are recognised on an accruals basis. The interest rate swap contracts have maturities 1 July 2009 and 2012.

Additionally, Sydney Markets has entered into an interest rate collar agreement, in which variable interest rate obligations move up or down only within a narrow band (between a cap and a floor). This agreement matures 24 December 2014.

17. TAX

(a) Liabilities

CURRENT

Income Tax

618 1,896 618 1,896

NON-CURRENT

Deferred tax liability comprises:

Tax allowances relating to property, plant and equipment

7,884 7,956 7,884 7,956

Prepayments

247 – 247 –

Derivatives valuations

253 – 253 –

Other

– 99 – 99

Total

8,384 8,055 8,384 8,055

(b) Assets

Deferred tax assets comprise:

Provisions

601 533 601 533

Depreciation relating to property, plant and equipment

2,484 1,981 2,484 1,981

Lease premium

649 364 649 364

Fair value gain adjustments

– – – –

Other

– – – –

Total

3,734 2,878 3,734 2,878

30th June 2008

	Note	CONSOLIDATED		PARENT ENTITY	
		2008	2007	2008	2007
		\$000	\$000	\$000	\$000
17. TAX (CONT'D)					
(c) Reconciliations					
(i) Gross Movements					
The overall movement in the deferred tax account is as follows:					
Opening balance		5,177	5,315	5,177	5,315
(Charge)/credit to income statement		(527)	(138)	(527)	(138)
Charge to equity		–	–	–	–
Closing balance		4,650	5,177	4,650	5,177
(ii) Deferred Tax Liability					
The movement in deferred tax liability for each temporary difference during the year is as follows:					
<i>Tax allowances relating to property, plant and equipment:</i>					
Opening balance		7,956	8,061	7,956	8,061
(Charge)/credit to income statement		(72)	(105)	(72)	(105)
Closing balance		7,884	7,956	7,884	7,956
<i>Tax allowances relating to valuation of interest rate swaps</i>					
Opening balance		99	–	99	–
(Charge)/credit to income statement		401	99	401	99
Closing balance		500	99	500	99
Total		8,384	8,055	8,384	8,055

notes to the financial statements for the year ended

	Note	CONSOLIDATED		PARENT ENTITY	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
17. TAX (CONT'D)					
(iii) Deferred Tax Assets					
The movement in deferred tax assets for each temporary difference during the year is as follows:					
<i>Provisions</i>					
Opening balance		533	411	533	411
(Charge)/credit to income statement		68	122	68	122
Closing balance		601	533	601	533
<i>Property, plant and equipment</i>					
Opening balance		1,981	2,103	1,981	2,103
(Charge)/credit to income statement		503	(122)	503	(122)
Closing balance		2,484	1,981	2,484	1,981
<i>Lease premium</i>					
Opening balance		364	–	364	–
(Charge)/credit to income statement		285	364	285	364
Closing balance		649	364	649	364
<i>Derivative Financial Instruments</i>					
Opening balance		–	100	–	100
(Charge)/credit to income statement		–	(100)	–	(100)
Closing balance		–	–	–	–
<i>Other</i>					
Opening balance		–	132	–	132
(Charge)/credit to income statement		–	(132)	–	(132)
Closing balance		–	–	–	–
Total		3,734	2,878	3,734	2,878

30th June 2008

18. PROVISIONS

Employee Benefits

	Note	CONSOLIDATED		PARENT ENTITY	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Opening balance at 1 July 2007		275	211	275	211
Additional provisions raised during the year		321	274	321	274
Amounts used		(243)	(210)	(243)	(210)
Balance at 30 June 2008		353	275	353	275

Analysis of Total Provisions

Current		205	184	205	184
Non Current		148	91	148	91
Provision for employee benefits		353	275	353	275

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

19. ISSUED CAPITAL

6,521 (2007: 6,521) fully paid shares

	7	7	7	7
	Issued Capital 2008 \$	Issued Capital 2007 \$	Issued Capital 2008 \$	Issued Capital 2007 \$
Issued capital comprises:				
262 Flowers Ordinary Shares	262	262	262	262
712 Growers Ordinary Shares	712	712	712	712
5,060 Retail Markets Ordinary Shares	5,060	5,060	5,060	5,060
237 Warehouse Ordinary Shares	237	237	237	237
250 Wholesale Ordinary Shares	250	250	250	250
	6,521	6,521	6,521	6,521

Each ordinary share of Sydney Markets Limited carries a right to vote, receive a dividend and participate in any surplus profit on a winding up in accordance with and determined by reference to the equity entitlement as set out in the Shareholders' Register.

Each share is irrevocably linked to the specific space within the Markets to which it relates and neither the share nor the space can be dealt with in any way without the other. The Retail Markets Ordinary Shares comprise two separate classes identified as "Flemington" and "Haymarket".

Shares not taken up by tenants are transferred to the Trustee, Perpetual Trustee Company Limited. The Trustee has no voting rights. Sydney Markets Limited has authorised share capital amounting to 200,000,000 ordinary shares of \$1.00 each.

notes to the financial statements for the year ended

19. ISSUED CAPITAL (CONT'D)

Ordinary Shares

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	No.	No.	No.	No.
At the beginning of reporting period	6,521	6,516	6,521	6,516
Shares issued during the year:				
– December 2006 Flowers – issue X stands	–	5	–	5
At reporting date	6,521	6,521	6,521	6,521

Capital Management

Sydney Markets controls its capital in order to maintain an appropriate debt to equity ratio and ensure that it can fund its operations and continue as a going concern.

As stated in the Director's Report, the directors have established a policy that all operating profits and reserves earned by Sydney Markets will be maintained, invested and accumulated in order to fund the costs associated with the continuation of the Central Markets.

The only externally imposed capital requirement arises from the company's loan facility (overdraft and commercial bill facility) with a major Australian bank. There is a redraw facility on payments in advance of the scheduled principal payments. Ongoing funding will be provided as long as Sydney Markets continues to comply with the facility agreement. There have been no changes in the strategy adopted by Sydney Markets to manage its capital since the prior year.

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
	Note			
Total borrowings		51,750	52,750	51,750
Trade and other payables		6,424	4,395	6,802
Less cash and cash equivalents		(5,557)	(7,241)	(5,557)
Net debt		52,617	49,904	52,995
Total equity		42,054	36,117	42,487
Total capital		94,671	86,021	95,482
Gearing ratio		56%	58%	55%
			58%	58%

30th June 2008

	Note	CONSOLIDATED		PARENT ENTITY	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
20. CAPITAL AND OPERATING COMMITMENTS					
(a) Operating Commitments					
Operating Commitments contracted for but not capitalised in the accounts:					
Payable					
Less than 1 year		3,617	3,528	3,617	3,528
Longer than 1 year not longer than 5 years		14,300	13,954	14,300	13,954
Longer than 5 years		19,662	22,675	19,662	22,675
		37,579	40,157	37,579	40,157

The above commitments relate to the Paddy's Market Haymarket site pursuant to a 25 year licence from 11 December 1993 until 10 December 2018 to the Sydney Market Authority (SMA). SMA assigned the licence to Sydney Markets Limited in 1997.

The licence is for a percentage of the Paddy's Haymarket stallholder revenue, with a minimum per annum lump sum payment indexed on 1 October each year by annual CPI.

(b) Capital Expenditure Commitments

Capital expenditure Commitments contracted for:

Warehouse & Providore Unit Construction		8,592	–	8,592	–
Property Purchase		–	4,005	–	4,005
Other capital expenditure projects		345	57	345	57
		8,937	4,062	8,937	4,062
Payable					
Less than 1 year		8,937	4,062	8,937	4,062
Longer than 1 year not longer than 5 years		–	–	–	–
Longer than 5 years		–	–	–	–
		8,937	4,062	8,937	4,062

21. CONTINGENCIES

There are no contingent liabilities or assets as at balance date.

22. SEGMENT REPORTING

Sydney Markets manages and administers the operations of the largest central produce and retail markets in Australia. Accordingly there is only one segment.

notes to the financial statements for the year ended

	Note	CONSOLIDATED		PARENT ENTITY	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
23. CASH FLOW INFORMATION					
(a) Reconciliation of cash flow from operations with profit from ordinary activities after income tax					
Profit from ordinary activities after income tax		5,989	6,322	6,152	6,464
Non-cash flows in profit from ordinary activities					
Depreciation and amortisation		4,308	4,068	4,288	4,055
(Profit)/loss on disposal of plant & equipment		(5)	(3)	(5)	(3)
Fair value gain on derivative financial instruments		(514)	(664)	(514)	(664)
(Increase)/decrease in receivables		8	(452)	8	(452)
(Increase)/decrease in other current assets		211	(392)	211	(392)
(Increase)/decrease in deferred tax assets		(856)	(132)	(856)	(132)
Increase/(decrease) in deferred tax liabilities		329	(6)	329	(6)
Increase/(decrease) in payables		752	132	882	381
Increase/(decrease) in provisions –current		78	76	78	90
Increase/(decrease) in other payables		3,023	1,668	3,023	1,668
Increase/(decrease) in tax liabilities - current		–	145	–	205
Increase/(decrease) in provisions – non-current		–	3	–	(11)
Cash flow from operations		13,323	10,765	13,596	11,203
(b) Loan Facilities					
Loan facilities		59,750	64,750	59,750	64,750
Amount utilised		(51,750)	(52,750)	(51,750)	(52,750)
Unused loan facilities		8,000	12,000	8,000	12,000

The major facilities are summarised as follows:

Sydney Markets entered into a 10 year \$85 million loan facility (overdraft and commercial bill facility) with a major Australian bank to finance the 1 July 2002 purchase of the Sydney Markets site at Flemington. The facility is secured by a mortgage over the land and a charge over the assets of Sydney Markets and provides for quarterly principal and interest payments until 1 July 2012. There is a redraw facility on payments in advance of the scheduled principal payments.

Finance will continue to be provided as long as Sydney Markets has not breached any borrowing requirements and semi annual financial ratios are met.

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Note	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000

24. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

(a) Transactions with related parties

(i) Total income received or receivable by Sydney Markets from Director-related entities for rents, dues and fees	705	710	705	710
(ii) Total expenditure paid or payable by Sydney Markets to Director-related entities for produce, sponsorships and scholarships	64	79	64	79

The names of Directors concerned with the above transactions were C. Cremona; D.J. Whiteman; C.H. Gray and W.L. Lynch.

Directors' shareholding details are shown in Note 6.

Apart from the matters mentioned above, no Director has entered into a material contract with Sydney Markets during the financial year.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Sydney Markets' financial instruments consist mainly of short-term deposits with banks, bank commercial bills, short-term investments, accounts receivable and payable, and derivatives.

Sydney Markets manages its exposure to key financial risks including interest rate risk in accordance with its financial risk management policy. The objective of the policy is to support the delivery of Sydney Markets financial targets whilst protecting future financial security.

Derivatives are used by Sydney Markets for hedging purposes to manage interest rate risks arising from its borrowings. Such instruments include interest rate swap, cap and collar agreements. Sydney Markets does not speculate in the trading of derivative instruments. The main risks Sydney Markets is exposed to through its financial instruments are interest rate risk, liquidity risk, and credit risk.

Primary responsibility for identification and control of financial risks rests with the Finance and Audit Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below.

Senior management of Sydney Markets meet on a regular basis to analyse interest rate exposure and to evaluate treasury management strategies for projected cash flow requirements in the context of the most recent economic conditions and forecasts. Liquidity risk is monitored through the development of future rolling cash flow forecasts, especially in light of capital expenditure and repairs and maintenance. Ageing analyses and monitoring of specific overdue debtors are undertaken to manage credit risk.

notes to the financial statements for the year ended

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Risk Exposures and Responses

(i) Interest rate risk

At balance date Sydney Markets exposure to interest rate movements applicable to its financial assets and liabilities is set out in the table below.

Sydney Markets manages its funding costs by using derivative financial instruments to reduce exposure created by its variable rate debt. Details relating to Sydney Markets hedging are set out in note 26.

Sydney Markets regularly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

At 30 June 2008, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
+1% (100 basis points)				
Interest income/ (expense)	(6)	(92)	(6)	(92)
Derivative Valuation	1,859	328	1,859	328
Total profit/(loss) effect	1,853	236	1,853	236
-1% (100 basis points)				
Interest income/ (expense)	92	93	92	93
Derivative Valuation	(1,341)	(918)	(1,341)	(918)
Total profit/(loss) effect	(1,249)	(825)	(1,249)	(825)

These theoretical calculations are required by Australian Accounting Standards. The movements in profit/ (loss) after tax due to higher/lower interest rates would be influenced most by the movement in the hedging derivative valuations rather than interest expense from variable rate debt and cash balances. The profit & loss sensitivity is higher in 2008 than in 2007 because of the higher hedged component of Sydney Markets debt

30th June 2008

(ii) Liquidity risk

Sydney Markets manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The table below reflects all contractually fixed settlement terms for recognised financial assets and liabilities, including derivative financial instruments as of 30 June 2008.

Consolidated	Weighted Average Effective Interest Rate %	< 6 mths \$000	6-12 mths \$000	1-5 years \$000	> 5 years \$000	Total \$000
Year ended 30 June 2008						
Financial Assets						
Cash at bank & in hand	5.80%	4,557	–	–	–	4,557
Short term bank deposits	6.65%	1,000	–	–	–	1,000
Trade and other receivables		4,417	–	–	–	4,417
Derivatives		–	–	818	27	845
		9,974	–	818	27	10,819
Financial Liabilities						
Trade and other payables		(6,424)	–	–	–	(6,424)
Interest bearing loans*	7.23%	(1,250)	–	(50,500)	–	(51,750)
Derivatives		–	–	–	–	–
		(7,674)	–	(50,500)	–	(58,174)
Net Maturity		2,300	–	(49,682)	27	(47,355)

* These contractual maturities are in line with Sydney Markets strategy.

The facilities maturing in 2012 will be repaid or renegotiated at that time.

Year ended 30 June 2007

Financial Assets

Cash at bank & in hand	5.50%	7,241	–	–	–	7,241
Short term bank deposits	6.23%	–	–	–	–	–
Trade and other receivables		4,425	–	–	–	4,425
Derivatives		–	–	332	–	332
		11,666	–	332	–	11,998

Financial Liabilities

Trade and other payables		(4,395)	–	–	–	(4,395)
Interest bearing loans	6.65%	(1,250)	–	(21,500)	(30,000)	(52,750)
Derivatives		–	–	–	–	–
		(5,645)	–	(21,500)	(30,000)	(57,145)
Net Maturity		6,021	–	(21,168)	(30,000)	(45,147)

notes to the financial statements for the year ended

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iii) Credit risk

Credit risk represents the loss that would be recognised if a substantial number of tenants failed to meet their obligations under lease or licence arrangements. The risk is minimal as many tenancies (especially warehouse leases and wholesale licences) have inherent market value which Sydney Markets can offset against outstanding debt. Credit risks are identified in a timely fashion as the majority of revenue is invoiced in advance.

There is no significant concentration of credit risk involving any one tenant.

(iv) Foreign Currency risk and Price Risk

Sydney Markets has no exposure to foreign currency nor equity securities price risk.

(v) Fair Value

The net fair values of:

- Borrowings and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value.
- Interest rate swaps are the present value of the future net interest cash flows.
- Other assets and other liabilities approximate their carrying value.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
NON CURRENT ASSETS	\$000	\$000	\$000	\$000
Interest rate swaps and collar	845	332	845	332

Gains and losses arising from changes in the fair value of interest rate swaps are recognised in the income statement in the period in which they arise (refer to Note 3 and also to Note 25).

Derivative financial instruments are used by Sydney Markets to hedge exposure to interest rate risk associated with increases in interest rates which impact on the borrowings of Sydney Markets. Refer to note 16 for further details of borrowings.

At balance date, the details of interest rate swap and collar contracts are:

Settlement date of:	Effective Average Interest Rate Payable		Notional Principal	
	2008	2007	2008	2007
Interest rate swaps:	%	%	\$000	\$000
2 to 5 years	6.44%	6.44%	15,000	15,000
More than 5 years	6.60%	6.60%	15,000	15,000
			30,000	30,000
Interest rate collar:				
More than 5 years				
Max 7.75%, min 7.19%	7.49%	–	15,000	–

Credit risk with respect to derivatives arises with unrealised gains and the potential failure of a counterparty to meet their obligations at maturity of contracts. All of Sydney Markets derivatives have been entered into with a single AAA+ credit rated counterparty.

30th June 2008

27. EVENTS OCCURRING AFTER BALANCE SHEET DATE

Sydney Markets holds several derivative financial instruments, the objective of which is to manage the company's exposure to the risk of increases in interest rates applicable to its borrowings.

As required by Australian Accounting Standards, the fair value of these derivative financial instruments must be recognised in the company's financial statements. Changes in the fair value directly impact the reported profit for each period.

As explained in note 25 to the financial statements, a small decrease in interest rates results in a significant decrease in the fair value of the derivative financial instruments. Subsequent to the financial year end, interest rates have decreased resulting in an unrealised loss on the derivative financial instruments.

The unrealised gain or loss on the revaluation of derivative financial instruments fluctuates continuously as market interest rates move. As the derivative financial instruments are a hedging tool, unrealised losses on the value of the derivative will generally be offset by a lower interest rate applicable to the company's borrowings.

28. COMPANY DETAILS

Registered Office:

The registered office of Sydney Markets is:

Sydney Markets Limited
Level 3, Market Plaza Building
Sydney Markets NSW 2129

The Financial Report was authorised for issue by the Directors on 24 September 2008. Sydney Markets has the power to amend and reissue the Financial Report.

notes to the financial statements

for the year ended

30th June 2008

29. CHANGE IN ACCOUNTING POLICY

The following Australian Accounting Standards have been issued or amended and are applicable to Sydney Markets but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected		Outline of Amendment	Application date of Standard	Application date of Group
AASB 2007 – 3 Amendments to Australian Accounting Standards	AASB 5	Non-current Assets Held for Sale and Discontinued Operations	The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Segment Reporting in February 2007. These amendments will involve changes to segment reporting disclosures within the financial report. However, it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report, as the entity does not fall within the scope of AASB 8.	1.1.2009	1.7.2009
	AASB 6	Exploration for and Evaluation of Mineral Resources			
	AASB 102	Inventories			
	AASB 107	Cash Flow Statements			
	AASB 119	Employee Benefits			
	AASB 127	Consolidated and Separate Financial Statements			
	AASB 134	Interim Financial Reporting			
	AASB 136	Impairment of Assets			
	AASB 1023	General Insurance Contracts			
	AASB 1038	Life Insurance Contracts			
AASB 8 Operating Segments	AASB 114	Segment Reporting	As above.	1.1.2009	1.7.2009
AASB 2007 – 6 Amendments to Australian Accounting Standards	AASB 1	First time adoption of AIFRS	The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the financial group as they already capitalise borrowing costs related to qualifying assets.	1.1.2009	1.7.2009
	AASB 101	Presentation of Financial Statements			
	AASB 107	Cash Flow Statements			
	AASB 111	Construction Contracts			
	AASB 116	Property, Plant and Equipment			
AASB 138	Intangible Assets				
AASB 123 Borrowing Costs	AASB 123	Borrowing Costs	As above	1.1.2009	1.7.2009
AASB 2007 – 8 Amendments to Australian Accounting Standards	AASB 101	Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity.	1.1.2009	1.7.2009
AASB 101	AASB 101	Presentation of Financial Statements	As above	1.1.2009	1.7.2009

All other pending Standards issued between the previous Financial Report and the current reporting dates have no application to Sydney Markets.

Directors' declaration

The Directors of Sydney Markets declare that:

1. the financial statements and notes, as set out on pages 15 to 46, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of Sydney Markets;
2. in the Directors' opinion there are reasonable grounds to believe that Sydney Markets will be able to pay its debts as and when they become due and payable.

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



J.C. PEARSON
CHAIRMAN



C.H. GRAY
DIRECTOR

Dated at Sydney this 24th day of September, 2008

independent audit report to the members of



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYDNEY MARKETS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Sydney Markets Limited (the company) and Sydney Markets Limited and Controlled Entity (the consolidated entity), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entity it controlled during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors are also responsible for the remuneration disclosure contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Total Financial Solutions



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A WHK Group Firm

Sydney Markets Ltd



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYDNEY MARKETS LIMITED (continued)

Auditor's Responsibility (continued)

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report. Our audit did not involve an analysis of the prudence of business decisions made by directors or management. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence


In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

- a) the financial report of Sydney Markets Limited and Sydney Markets Limited and its Controlled Entity is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b) the financial report also complies with International financial Reporting Standards as disclosed in Note 1.


WHK Horwath Sydney


DAVID W. SINCLAIR
Principal

Dated at Sydney this 24th day of September 2008

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