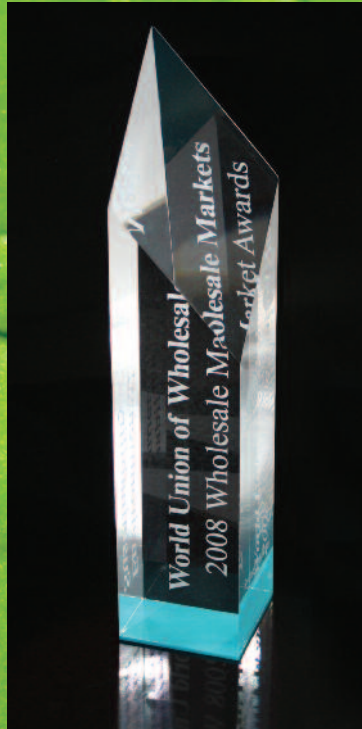


SYDNEY MARKETS LIMITED

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



Sydney Markets voted the number one Market in the World for environmental sustainability.

ANNUAL REPORT 2009

BOARD OF DIRECTORS AS AT 30 JUNE 2009



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



JOHN OLIVIERI
Nominee Director
Flower Market



NEIL MATHEWS
Nominee Director
Retail Markets

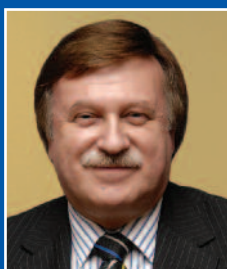
SENIOR MANAGEMENT



BRADLEY LATHAM
Chief Executive Officer



SHANE CHESTER
Head of Operations



GERRY DARAS
Head of Special Projects/
Company Secretary



MICHAEL GOLDEN
Head of Finance/
Corporate Services



MARTIN FORSTER
Head of Site Services

annual report

contents

30th June 2009

SYDNEY MARKETS LIMITED
ABN 51 077 119 290
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

	PAGE
Joint message from the Chairman & CEO	2
Marketing report	4
Directors' report	5
Financial report	13
Directors' declaration	45
Independent auditor's report to the members	47

joint message from the Chairman & CEO

JOINT MESSAGE FROM THE CHAIRMAN & CEO

We are very pleased to present the 2008/2009 Sydney Markets Limited Annual Report.

WORLD ENVIRONMENT AWARD

- A highlight of the year was Sydney Markets Limited receiving world recognition at the 2008 World Union of Wholesale Markets (WUWM) Congress. The prestigious award for Environmental Sustainability practices in a Wholesale Market was awarded to Sydney Markets at the WUWM Gala Dinner in Copenhagen, in front of over 300 representatives from Wholesale Markets around the world. This Award confirms Sydney Markets as the World Leader in environmental sustainability as highlighted by the following:
 - In excess of 50% of waste generated on site is recycled.
 - Water efficiencies during the year resulted in a 30% reduction in water consumption.
 - Carbon emissions were reduced by 19%.
 - Recognition by the Department of Environment and Climate Change as one of only four companies to receive a 3 star rating acknowledging our environmental sustainability management procedures.

The benefits derived through our philosophy of “reduce, re use and recycle” enhance our commitment to the environment and winning the World Award was a great honour for all involved in Sydney Markets.

- Our work on environmental issues was further recognised recently when Sydney Markets Limited received a Bronze Partner Award from the Hon. Carmel Tebbutt NSW, Deputy Premier, Minister for Climate Change and the Environment. This award, which is the highest level available at present, was received for reaching an outstanding level of Environmental Sustainability through set criteria.

FINANCIALS

The 2008-2009 Financial Year has resulted in another strong financial performance despite the global economic conditions.

- Profit before theoretical valuation (loss) / gain on derivatives and income tax was \$8.6 million, an increase of \$1.2 million (15.6%) compared to last year.
- Profit after tax before theoretical valuation loss was \$5.9 million, an increase of \$0.6 million (11.3%) compared to last year.
- Profit after tax of \$4.4 million was a decrease of \$1.6 million on the previous year. As explained in note 11 to the financial statements, this includes \$2.3 million theoretical valuation loss on derivatives before tax, compared with \$0.5 million valuation gain on derivatives before tax last year.
- Operating revenue for the year increased by 4.1% compared to last year. The increase was attributable to continued strong market occupancy levels, combined with an increase in lettable space in Building L and new Providore units.
- Total expenses excluding theoretical valuation (loss)/gain on derivatives were up by 1.9% during the year. Reduction in financing costs, a reduced bad debt provision and lower insurance premiums have contributed to the below annualised CPI increase. This is in line with our strategy to minimise costs for market tenants wherever possible.
- The total capital expenditure for the year was \$11.2 million. This was driven by completion of stages two and three of the Master Plan process.
- Sydney Markets Limited’s Board continued its commitment to reducing debt and providing funding for major capital works such as Warehouse W and the South West Truck Entry and Exit.

FURTHER HIGHLIGHTS

- Part of the Sydney Markets Limited branding process involved taking our Board meeting to the Innisfail/Tully region of northern Queensland, home to over 280 banana growers, during September 2008. 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.

joint message from the Chairman & CEO

- Sydney Markets Fresh for Kids Website, for the second time, won the prestigious Award for the Best Food Based Website for 2008 at the National Vittoria Food Media Awards. The Fresh for Kids Website is designed for primary aged children and developed as a teaching tool for children, their parents and teachers and is constantly being evolved and updated with fresh fruit and vegetable information, recipes, interactive games, competitions and healthy canteen suggestions.
- Our Chief Executive Officer was reappointed to the Horticultural Code Committee at the invitation of the Minister for Agriculture Fisheries and Forestry, The Hon. Tony Burke to provide advice to the Government on the possible implications for the horticultural industry, based on the recommendations made by the Australian Competition and Consumer Commission to amend the Horticulture Code of Conduct.

The Committee's final discussions focussed on analysing the implications indentified by Industry and it was noted industry views varied widely across the majority of recommendations.

The Committee was in the process of finalising its report to the Minister during the reporting period.

- Despite the continued growth in the number of retail markets around the Sydney region, our Paddy's Market brands at both Haymarket and Flemington locations continue to experience growth in customer attendances which can be attributed to our comprehensive marketing campaigns.
- The Strategic Plan which formalises the Company's direction over the next 5 years and Master Plan process has progressed extremely well during the reporting period. Some of the achievements are outlined below:
 - The future of our Paddy's Haymarket operation is now being secured through negotiations for a 30 year lease term with the Paddy's Haymarket landlord. Existing arrangements are that the Paddy's Haymarket licence to operate expires in December 2018. Through the negotiation process Sydney Markets Limited has been able to arrange an extension to 2039. To achieve this lease tenure, the landlord required an additional trading day each Wednesday. This will commence on 14 October 2009.
 - Construction of additional warehouse space (Warehouse L 1,350m²) was completed and now occupied by Valos Holdings Pty Ltd and A&H Fruit Supply Pty Ltd.
 - Construction of Warehouse W consisting of 5,800m² was completed and occupied by successful independent fresh food retailer, Harris Farm Markets, during July 2009.
 - A new forklift bridge was constructed and is now operational. It links the General Trading Area to the Hard Vegetable Area improving travel time and creating less congestion and, more importantly, improved safety within the Markets site.
 - 15 purpose built providore units were constructed to address the needs of the growing hospitality, restaurant and catering channel.
 - Widened roadways internally and externally and construction of the new South West Truck Entry and Exit. This new alternative entry and exit for up to approximately 300 semi trailers and B doubles each day will improve market efficiency, safety in and outside the Market site, reduce congestion through the Austin Ave entrance and have a positive effect on supply chain efficiencies.

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.

At the time of writing all financial indicators show Sydney Markets Limited can look forward to another strong performance for the 2009-2010 year.



MR BRADLEY LATHAM
CHIEF EXECUTIVE OFFICER



MR JOHN PEARSON
CHAIRMAN

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, being Summa Strawberry®, Captain Capsicum®, Megabyte 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.

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 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 the consolidated entity (referred to hereafter as the consolidated entity) consisting of Sydney Markets Limited and its wholly owned subsidiary for the year ended 30 June 2009.

DIRECTORS

The following persons were Directors of Sydney Markets Limited during the financial year and up to the date of this report:

Mr John C. Pearson	Chairman
Mr Neil W. Mathews	(Deputy Chairman up to 23 July 2009)
Mr Colin H. Gray	
Mr William L. Lynch	
Mr Cosimo Cremona	
Mr William E. McMahon	
Mr David J. Whiteman	(Deputy Chairman from 23 July 2009)
Mr David W. Hynes	
Mr Anthony G. Bassil	(Director and Deputy Chairman up to 23 July 2008)
Mr Alvisio (John) Olivieri	(Appointed from 23 July 2008)

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

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.

REVIEW OF OPERATIONS

A review of operations is provided in the Joint Message from the Chairman and CEO.

SIGNIFICANT CHANGES IN THE 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.

DIVIDENDS – SYDNEY MARKETS LIMITED

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.

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 bank loan facility and for the purchase of key adjoining properties to allow for future expansion.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Directors are unaware of any 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.

Directors' report

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Directors are not aware of any matter or circumstance that has arisen since 30 June 2009 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.

ENVIRONMENTAL REGULATION

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 2009.

INFORMATION ON DIRECTORS

Mr John C. Pearson

– Non Executive Director & Chairman

Experience and expertise:

- Board Member since 2003
- Chairman since 18 May 2005
- Experienced and successful finance executive with significant banking, building society and management exposure at senior levels.

Other current directorships:

- 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
Retail Markets Sub Committee.

Interests in shares:

- Nil

Mr 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 and expertise:

- 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 15 years experience in the Fruit & Vegetables Industry
- Past Chairman, Sydney Markets Industries Group

Other current directorships:

- Chief Executive Officer, The NSW Chamber of Fruit and Vegetable Industries Inc.
- Secretary, Chamber (Holdings) Pty Ltd
- Secretary, NSW Chamber (Services) Pty Ltd

SML Committees:

- Finance & Audit, Master Plan, Strategic Plan, Fresh for Kids,
Retail Markets Sub Committee

Interests in shares:

- Nil

Directors' report

Mr William L. Lynch – Non Executive Expertise Director

- Experience and expertise:
- Board Member since 1998
 - Over 51 years in the Australian Horticulture Industry as a grower, wholesaler and retailer
 - Past President, Australian Flower Growers Association
 - Past President, Flower Growers Group of NSW Inc.
 - Associate Member, NSW Chamber of Fruit and Vegetable Industries Inc.
- Other current directorships:
- Director of W & D Lynch Pty Ltd
 - Director of Carismatic Pty Ltd
- SML Committees:
- Remuneration, Finance and Audit Committee
- Interests in shares:
- 10 Retail Markets Ordinary; and 7 Flower Market Ordinary Shares

Mr David W. Hynes – Non Executive Independent Director

- Qualifications:
- B.Ec / LL.B (Sydney Uni)
- Experience and expertise:
- Board Member since 2005
 - Member, Sydney University Senate/Sports Liaison Committee
 - Member, Australian Institute of Company Directors
- Other current directorships:
- Executive Director of Winston Langley Pty Limited, a property development and property advisory organisation
 - Director of the Australian Baseball Federation
- SML Committees:
- Remuneration, Master Plan, Strategic Plan, Retail Markets Sub Committee
- Interests in shares:
- Nil

Mr William E. McMahon – Non Executive Nominee Director – Growers Market

- Experience and expertise:
- 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
- Other current directorships:
- 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
- Interests in shares:
- Nil

Directors' report

Mr David J. Whiteman – Non Executive Nominee Director – Warehouses and Deputy Chairman

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

Mr Cosimo Cremona – Non Executive Nominee Director – Wholesale

- Experience and expertise: – Board Member since 2002
– Over 29 years experience in the fruit and vegetable industry
– Member of the Lions Club, Flemington
– Member, NSW Chamber of Fruit and Vegetable Industries Inc.
- Other current directorships: – Director of Cremona Bros Pty Ltd
– Director of Loftden Pty Ltd
– Director of S.M.C.S. Co-operative Ltd
- SML Committees: – Environment Management
- Interests in shares: – 3 Wholesale Ordinary Shares; and 2 Warehouse Ordinary Shares

Mr Anthony G. Bassil – Non Executive Nominee Director – Flower Market

- Experience and expertise: – Board Member 1999-2002, 2005-2008
– 52 years involvement in the flower growing and market industry
– Former Vice President of NSW Flower Growers Association
- Other current directorships: – Director of George Bassil & Son Pty Ltd.
- SML Committees: – Environment Management (until July 2008)
- Interests in shares: – Nil

Mr Alvisio (John) Olivieri – Non Executive Nominee Director – Flower Market

- Experience and expertise: – Board Member since July 2008
– 30 years involvement in the cut flower industry
– Former Vice President of NSW Flower Growers Association
- Other current directorships: – Director of A & L Property Developments Pty Ltd.
- SML Committees: – None
- Interests in shares: – 4 Flower Market Ordinary Shares

Directors' report

Mr Neil W. Mathews – Non Executive Nominee Director – Retail Markets

Qualifications:

- Engineering Trade – Sydney Technical College
- Production Engineering – University of Technology
- Post Graduate Subject – University of NSW

Experience and expertise:

- 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

Other current directorships:

- None

SML Committees:

- Environment Management, Property, Strategic Plan, Retail Markets Sub Committee

Interests in shares:

- Nil

COMPANY SECRETARY

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

Mr Adrian B. Spragg – B.Com/LL.B (UNSW), Chartered Accountant, (up to 26 March 2009).

Mr Gerry Daras – (from 26 March 2009).

Mr Gerry Daras' 28 years experience with QANTAS in Airport Management at Sydney Airport has seen him manage all areas of large scale Airline Operations and Terminal redevelopment. He is qualified in Project Management, Industrial Relations and General Management.

Mr Gerry Daras is an appointed Justice of the Peace and has completed many industry related management courses as well as holding Mediation credentials to act as a sole Mediator.

MEETINGS OF DIRECTORS

Details of Directors' meetings held during the financial year ended 30 June 2009 and Directors' attendances at these meetings were as follows:

	Full meetings of Directors		Finance & audit committee meetings	
	A	B	A	B
Mr John C. Pearson	12	12	11	12
Mr Colin H. Gray	12	12	12	12
Mr William L. Lynch	11	12	2	3
Mr Cosimo Cremona	12	12	–	–
Mr William E. McMahon	12	12	–	–
Mr Neil W. Mathews	12	12	–	–
Mr David J. Whiteman	12	12	–	–
Mr David W. Hynes	12	12	–	–
Mr Alvisio (John) Olivieri	12	12	–	–

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

Directors' report

OPTIONS

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

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:

- (a) Directors' and Officers' Fees and Remuneration as shown in Sydney Markets' Financial Statements (note 26).
- (b) 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 30).

CORPORATE GOVERNANCE STATEMENT

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, Strategic Plan and Retail Markets Sub Committee 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.

Insurance of officers

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.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

Directors' report

ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

AUDITOR

PricewaterhouseCoopers was appointed as auditor and continues in office in accordance with section 327 of the *Corporations Act 2001*.

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



MR JOHN C. PEARSON
CHAIRMAN



MR COLIN H. GRAY
DIRECTOR

Sydney
16 September 2009

auditor's independence declaration

Directors' report



PricewaterhouseCoopers
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201 Sussex Street
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SYDNEY NSW 1171
DX 77 Sydney
Australia
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Facsimile +61 2 8266 9999

Auditor's Independence Declaration

As lead auditor for the audit of Sydney Markets Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Sydney Markets Limited and the entity it controlled during the period.

S J Bourke
Partner
PricewaterhouseCoopers

Sydney
16 September 2009

financial report contents

30th June 2009

SYDNEY MARKETS LIMITED
ABN 51 077 119 290
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

	PAGE
Financial report	
Income statements	14
Balance sheets	15
Statements of changes in equity	16
Cash flow statements	17
Notes to the financial statements	18
Directors' declaration	45
Independent auditor's report to the members	46

This financial report covers both the separate financial statements of Sydney Markets Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of Sydney Markets Limited and its wholly owned subsidiary. The financial report is presented in the Australian currency.

Sydney Markets Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office is:

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on pages 5 to 12, which is not part of this financial report.

The financial report was authorised for issue by the directors on 16 September 2009. The company has the power to amend and reissue the financial report.

income statements

for the year ended

30th June 2009

		CONSOLIDATED		PARENT ENTITY	
	Notes	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue from continuing operations	4	48,726	46,820	48,853	46,954
Other income	5	20	5	20	5
		48,746	46,825	48,873	46,959
Property costs		(16,875)	(17,061)	(16,807)	(16,987)
Payroll costs		(4,986)	(4,804)	(4,986)	(4,804)
Repairs and maintenance		(4,774)	(3,976)	(4,762)	(3,972)
Management and administration costs		(512)	(665)	(1,172)	(665)
Advertising and promotion		(3,761)	(3,704)	(3,761)	(3,704)
Professional fees		(1,088)	(894)	(1,088)	(894)
Depreciation and amortisation expense	6	(4,413)	(4,308)	(4,393)	(4,288)
Finance expenses	6	(3,727)	(3,965)	(3,727)	(3,965)
Total expenses from continuing operations		(40,136)	(39,377)	(40,696)	(39,279)
Profit before valuation (loss)/gain on derivatives and income tax		8,610	7,448	8,177	7,680
Theoretical valuation (loss)/gain on derivatives	11	(2,291)	514	(2,291)	514
Profit before income tax		6,319	7,962	5,886	8,194
Income tax expense	7	(1,936)	(1,973)	(1,810)	(2,042)
Profit attributable to members		4,383	5,989	4,076	6,152

The above income statements should be read in conjunction with the accompanying notes.

balance sheets

as at

30th June 2009

		CONSOLIDATED		PARENT ENTITY	
	Notes	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	8	1,961	5,558	1,961	5,558
Trade and other receivables	9	5,818	4,878	8,772	8,482
Other current assets	10	1,710	1,127	1,710	1,127
Total current assets		9,489	11,563	12,443	15,167
Non current assets					
Derivative financial instruments	11	-	845	-	845
Financial assets	12	-	-	-	-
Property, plant and equipment	13	110,216	103,589	107,065	100,418
Deferred tax assets	14	-	-	-	-
Total non current assets		110,216	104,434	107,065	101,263
Total assets		119,705	115,997	119,508	116,430
LIABILITIES					
Current liabilities					
Trade and other payables	15	6,837	6,885	6,837	7,013
Borrowings	19	4,250	1,250	4,250	1,250
Current tax liabilities	17	425	618	425	618
Provisions	16	323	205	323	205
Other current liabilities	18	9,702	9,627	9,702	9,627
Total current liabilities		21,537	18,585	21,537	18,713
Non-current liabilities					
Borrowings	20	46,750	50,500	46,750	50,500
Provisions	22	104	148	104	148
Deferred tax liabilities	21	3,372	4,651	3,177	4,651
Derivative financial instruments	11	1,446	-	1,446	-
Total non-current liabilities		51,672	55,299	51,477	55,299
Total liabilities		73,209	73,884	73,014	74,012
Net assets		46,496	42,113	46,494	42,418
EQUITY					
Contributed equity	23	7	7	7	7
Retained profits	24	46,489	42,106	46,487	42,411
Total equity		46,496	42,113	46,494	42,418

The above balance sheets should be read in conjunction with the accompanying notes.

statements of changes in equity for the year ended 30th June 2009

CONSOLIDATED	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2007	7	36,117	36,124
Profit for the year	-	5,989	5,989
Balance at 30 June 2008	<u>7</u>	<u>42,106</u>	<u>42,113</u>
Balance at 1 July 2008	7	42,106	42,113
Profit for the year	-	4,383	4,383
Balance at 30 June 2009	<u>7</u>	<u>46,489</u>	<u>46,496</u>
PARENT			
Balance at 1 July 2007	7	36,259	36,266
Profit for the year	-	6,152	6,152
Balance at 30 June 2008	<u>7</u>	<u>42,411</u>	<u>42,418</u>
Balance at 1 July 2008	7	42,411	42,418
Profit for the year	-	4,076	4,076
Balance at 30 June 2009	<u>7</u>	<u>46,487</u>	<u>46,494</u>

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

cash flow statements

for the year ended

30th June 2009

		CONSOLIDATED		PARENT ENTITY	
		2009	2008	2009	2008
	Notes	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Cash receipts from tenants and customers		52,751	54,547	52,751	54,717
Cash payments to suppliers and employees		(37,503)	(33,676)	(37,503)	(33,613)
		15,248	20,871	15,248	21,104
Interest received		102	254	102	235
Interest paid		(3,829)	(3,965)	(3,829)	(3,965)
Income taxes paid		(3,347)	(3,837)	(3,347)	(3,778)
Net cash inflow (outflow) from operating activities	33	8,174	13,323	8,174	13,596
Cash flows from investing activities					
Loans to subsidiary company		-	-	-	(273)
Payments for property, plant and equipment		(11,210)	(14,007)	(11,210)	(14,007)
Proceeds from sale of property, plant and equipment		190	-	190	-
Net cash (outflow) inflow from investing activities		(11,020)	(14,007)	(11,020)	(14,280)
Cash flows from financing activities					
Repayment of borrowings		(750)	(1,000)	(750)	(1,000)
Net cash inflow (outflow) from financing activities		(750)	(1,000)	(750)	(1,000)
Net increase (decrease) in cash and cash equivalents		(3,596)	(1,684)	(3,596)	(1,684)
Cash and cash equivalents at the beginning of the financial year		5,557	7,241	5,557	7,241
Cash and cash equivalents at end of year	8	1,961	5,557	1,961	5,557

The above cash flow statements should be read in conjunction with the accompanying notes.

notes to the financial statements

contents

30th June 2009

	PAGE
1 Summary of significant accounting policies	19
2 Critical accounting estimates and judgements	23
3 Segment reporting	23
4 Revenue	24
5 Other income	24
6 Expenses	24
7 Income tax expense	25
8 Current assets – Cash and cash equivalents	25
9 Current assets – Trade and other receivables	26
10 Current assets – Other current assets	26
11 Derivative financial instruments	27
12 Financial assets	28
13 Non-current assets – Property, plant and equipment	29
14 Non-current assets – Deferred tax assets	31
15 Current liabilities – Trade and other payables	32
16 Current liabilities – Provisions	32
17 Current liabilities – Current tax liabilities	32
18 Current liabilities – Other current liabilities	32
19 Current liabilities – Borrowings	32
20 Non-current liabilities – Borrowings	33
21 Non-current liabilities – Deferred tax liabilities	34
22 Non-current liabilities – Provisions	35
23 Contributed equity	35
24 Retained profits	36
25 Franking credits	36
26 Key management personnel compensation	37
27 Remuneration of auditors	39
28 Contingencies	39
29 Commitments	40
30 Related party transactions	41
31 Financial risk management	41
32 Events occurring after the reporting period	43
33 Reconciliation of profit after income tax to net cash inflow from operating activities	44

notes to the financial statements

for the year ended

30th June 2009

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Sydney Markets Limited as an individual entity and the consolidated entity consisting of Sydney Markets Limited and its wholly owned subsidiary.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations 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 financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(b) Principles of consolidation

A controlled entity or subsidiary 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.

As at reporting date, the assets and liabilities of the subsidiary 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 Sydney Markets Limited and its subsidiary have been eliminated on consolidation.

(c) 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.

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.

notes to the financial statements

for the year ended

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

(d) 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.

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	15%	Straight line
Fixtures, fittings and equipment	15%	Straight line
Motor vehicles	22.5%	Diminishing value

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 (note 1(g)).

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

(e) 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.

30th June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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 transaction 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 liabilities

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

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. At 30 June 2009, 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 have been recognised immediately in the income statement.

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 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.

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.

(g) 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.

notes to the financial statements for the year ended

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Employee benefits

Provision is made for Sydney Markets 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.

(i) 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 obligations and the amount has been reliably estimated.

(j) 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.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of taxes paid. Revenue is recognised on an accruals basis in accordance with tenancy agreements or as services are rendered. Rental and other amounts received or receivable from tenants in respect of periods subsequent to the reporting period are included within liabilities.

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).

(l) 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.

(m) 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.

(n) 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.

30th June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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.

(p) Goods and Services Tax (GST)

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.

(q) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The consolidated entity's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

- (i) Revised AASB 123 *Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123* (effective from 1 January 2009)

The revised AASB 123 has removed the option to expense all borrowing costs and when adopted will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the consolidated entity, as the consolidated entity does already capitalise borrowing costs relating to qualifying assets.

- (ii) Revised AASB 101 *Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101* (effective from 1 January 2009)

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The consolidated entity will apply the revised standard from 1 July 2009.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Directors evaluate estimates and judgments incorporated into the financial statements 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.

3. 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

4. REVENUE	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
From continuing operations				
Rents	19,201	18,173	19,152	18,078
Dues and fees	16,831	16,341	16,831	16,341
Other operating revenue	8,647	8,268	8,647	8,268
Advertising and promotion	2,861	2,801	2,861	3,049
Consideration on transfer of licenses and leases	949	790	949	790
Interest revenue	119	254	295	235
Other revenue	118	193	118	193
	48,726	46,820	48,853	46,954
5 OTHER INCOME				
Net gain on disposal of property, plant and equipment	20	5	20	5
6 EXPENSES				
Profit before income tax includes the following specific expenses:				
<i>Depreciation</i>				
Buildings	1,339	1,308	1,328	1,297
Plant and equipment	3,044	2,971	3,035	2,962
Leasehold improvements	30	29	30	29
Total depreciation	4,413	4,308	4,393	4,288
<i>Finance costs</i>				
Interest and finance charges paid to external parties	3,727	3,965	3,727	3,965
<i>Rental expense relating to operating leases</i>				
Minimum lease payments	3,602	3,491	3,602	3,491
<i>Provision for employee entitlements</i>	359	398	359	398

30th June 2009

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
7. INCOME TAX EXPENSE				
(a) Income tax expense				
Current tax – current year	3,153	2,384	3,222	2,453
Current tax – prior year	61	(270)	61	(270)
Deferred tax	(1,278)	526	(1,473)	526
Other differences	-	(667)	-	(667)
	1,936	1,973	1,810	2,042
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	6,319	7,962	5,886	8,194
Tax at the Australian tax rate of 30% (2008 – 30%)	1,896	2,389	1,766	2,458
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
– Adjustment for (over)/under provision of tax in prior year	18	(270)	18	(270)
– Adjustment to tax cost base of buildings, plant & equipment	-	(141)	-	(141)
– Sundry items	22	(5)	26	(5)
Total income tax expense	1,936	1,973	1,810	2,042
8. CURRENT ASSETS – CASH AND CASH EQUIVALENTS				
Cash at bank and in hand	1,961	4,558	1,961	4,558
Short term bank deposits	-	1,000	-	1,000
	1,961	5,558	1,961	5,558

At 30 June 2008, the effective interest rate on short term bank deposits was 6.80%. These deposits had an average maturity of 30 days.

notes to the financial statements

for the year ended

9. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade receivables	1,796	998	1,795	998
Receivables invoiced in advanced	2,974	3,085	2,974	3,085
Provision for impairment of receivables	(10)	(210)	(10)	(210)
	4,760	3,873	4,759	3,873
Accrued income and other receivables	1,058	1,005	808	755
Amount receivable from subsidiary	-	-	3,205	3,854
	1,058	1,005	4,013	4,609
	5,818	4,878	8,772	8,482

An unsecured loan has been made by the parent entity to its subsidiary on an arm's length basis. There is no fixed repayment term for the loan.

Provision for impairment of receivables

Current trade 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 receivable is impaired. These amounts have been included in other expenses.

Movement in the provision for impairment of receivables is as follows:

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Opening balance at 1 July 2008	210	200	210	200
Charge / (credit) for the year	(200)	20	(200)	20
Amounts written off	-	(10)	-	(10)
Balance at 30 June 2009	10	210	10	210

10. CURRENT ASSETS – OTHER CURRENT ASSETS

Prepayments	1,710	1,127	1,710	1,127
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30th June 2009

11. DERIVATIVE FINANCIAL INSTRUMENTS	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Non-current assets				
Interest rate swaps and collars	-	845	-	845
Total derivative financial instrument assets	-	845	-	845
Non-current liabilities				
Interest rate swaps and collars	1,446	-	1,446	-
Total derivative financial instrument liabilities	1,446	-	1,446	-
Valuation (loss)/gain on derivative financial instruments	(2,291)	514	(2,291)	514

Sydney Markets has entered into interest rate swap agreements in order to hedge part of its borrowings against rises in interest rates by swapping variable interest rate obligations into fixed rate obligations. The contracts require settlement of the net interest receivable or payable each 90 days. 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.

Additionally, Sydney Markets has entered into interest rate collar agreements, in which variable interest rate obligations move up or down only within a narrow band (between a cap and a floor).

Derivatives currently in place cover approximately 88% (2008: 87%) of the variable loan principal outstanding. Details of the terms of the derivatives are set out below.

	CONSOLIDATED AND PARENT ENTITY NOTIONAL PRINCIPAL	
	2009 \$'000	2008 \$'000
Settlement date of interest rate swaps:		
Less than 1 year (fixed rate 6.44%)	-	15,000
1 to 5 years (fixed rate 6.6%)	15,000	15,000
	15,000	30,000
Settlement date of interest rate collars:		
More than 5 years		
Max 7.75%, min 7.19%	15,000	15,000
Max 6.81%, min 3.75%	15,000	-
	30,000	15,000

Gains and losses arising from changes in the fair value of interest rate swaps and collars are recognised in the income statement in the period in which they arise (refer note 31).

The valuation loss on derivative financial instruments in 2009 relates directly to the downward movement in interest rates in 2009 compared to the hedged fixed interest rates entered into in previous periods to protect against adverse interest rate fluctuations arising on variable rate bank loans taken out to finance the purchase of the Flemington property.

notes to the financial statements for the year ended

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The commercial decision to enter into fixed rate hedging was made taking into account the history of interest rate movements and the economic climate at the time of taking out derivatives. The Directors regard this as a prudent interest risk management technique in line with sound business practice.

In accordance with Australian Accounting Standards, Sydney Markets is required to mark to market the value of its derivative financial instruments and recognise changes in the fair value in its income statement.

The theoretical mark to market valuations can fluctuate greatly as market interest rates fluctuate and will change over the remaining life of the derivative financial instruments.

The Directors consider that, whilst the 2009 theoretical valuation loss on derivative financial instruments relates to the financing of the business, it is not a core operating or cash transaction and is unusual due to its size and nature. Accordingly within the income statement the Directors have disclosed "operating profit before valuation (loss)/gain" to assist users to better understand the financial performance of Sydney Markets core operations.

12. FINANCIAL ASSETS

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Investment in subsidiary	-	-	1	1

Name of entity	Country of incorporation	Class of shares	Percentage Owned	
			2009	2008
			%	%
Flemington Storage Pty Limited	Australia	Ordinary	100	100

30th June 2009

13. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED	Capital work in progress \$'000	Freehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
At 1 July 2007						
Cost	187	37,978	51,458	24,806	333	114,762
Accumulated depreciation	-	-	(6,322)	(14,478)	(77)	(20,877)
Net book amount	187	37,978	45,136	10,328	256	93,885
Year 30 June 2008						
Opening net book amount	187	37,978	45,136	10,328	256	93,885
Additions	1,506	11,193	519	3,554	67	16,839
Disposals	-	-	-	(2,827)	-	(2,827)
Transfers	(137)	(503)	503	137	-	-
Depreciation charge	-	-	(1,308)	(2,971)	(29)	(4,308)
Closing net book amount	1,556	48,668	44,850	8,221	294	103,589
At 30 June 2008						
Cost	1,556	48,668	52,479	25,601	401	128,705
Accumulated depreciation	-	-	(7,629)	(17,380)	(107)	(25,116)
Net book amount	1,556	48,668	44,850	8,221	294	103,589
Year 30 June 2009						
Opening net book amount	1,556	48,668	44,850	8,221	294	103,589
Additions	10,688	24	-	498	-	11,210
Disposals	-	-	-	(170)	-	(170)
Transfers	(274)	-	-	274	-	-
Depreciation charge	-	-	(1,339)	(3,044)	(30)	(4,413)
Closing net book amount	11,970	48,692	43,511	5,779	264	110,216
At 30 June 2009						
Cost	11,970	48,692	52,479	26,056	401	139,598
Accumulated depreciation	-	-	(8,968)	(20,277)	(137)	(29,382)
Net book amount	11,970	48,692	43,511	5,779	264	110,216

notes to the financial statements for the year ended

13. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

PARENT	Capital work in progress \$'000	Freehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
At 1 July 2007						
Cost	187	35,245	51,033	24,759	333	111,557
Accumulated depreciation	-	-	(6,313)	(14,473)	(77)	(20,863)
Net book amount	187	35,245	44,720	10,286	256	90,694
Year ended 30 June 2008						
Opening net book amount	187	35,245	44,720	10,286	256	90,694
Additions	1,506	11,193	518	3,555	67	16,839
Disposals	-	-	-	(2,827)	-	(2,827)
Transfers	(137)	(503)	503	137	-	-
Depreciation charge	-	-	(1,297)	(2,962)	(29)	(4,288)
Closing net book amount	1,556	45,935	44,444	8,189	294	100,418
At 30 June 2008						
Cost	1,556	45,935	52,054	25,555	401	125,501
Accumulated depreciation	-	-	(7,610)	(17,366)	(107)	(25,083)
Net book amount	1,556	45,935	44,444	8,189	294	100,418
Year 30 June 2009						
Opening net book amount	1,556	45,935	44,444	8,189	294	100,418
Additions	10,688	24	-	498	-	11,210
Disposals	-	-	-	(170)	-	(170)
Transfers	(274)	-	-	274	-	-
Depreciation charge	-	-	(1,328)	(3,035)	(30)	(4,393)
Closing net book amount	11,970	45,959	43,116	5,756	264	107,065
At 30 June 2009						
Cost	11,970	45,959	52,054	26,010	401	136,394
Accumulated depreciation	-	-	(8,938)	(20,254)	(137)	(29,329)
Net book amount	11,970	45,959	43,116	5,756	264	107,065

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 disclosure purposes was \$143 million. The Directors consider that the fair value of the property, plant and equipment continues to exceed its carrying value.

30th June 2009

14. NON-CURRENT ASSETS – DEFERRED TAX ASSETS	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
The balance comprises temporary differences attributable to:				
Provisions	484	601	679	601
Depreciation relating to property, plant and equipment	3,139	2,484	3,139	2,484
Lease premium	776	649	776	649
Derivative financial instrument	434	-	434	-
Set off against deferred tax liabilities (note 21)	(4,833)	(3,734)	(5,028)	(3,734)
Total deferred tax assets	-	-	-	-
Movements:				
Opening balance at 1 July	3,734	2,878	3,734	2,878
Credited/(charged) to the income statement	1,099	856	1,294	856
Closing balance at 30 June	4,833	3,734	5,028	3,734

	Provisions \$'000	Property, plant and equipment \$'000	Lease premium \$'000	Derivative financial instrument \$'000	Total \$'000
Movements – Consolidated					
At 1 July 2007	533	1,981	364	-	2,878
(Charged)/credited to the income statements	68	503	285	-	856
At 30 June 2008	601	2,484	649	-	3,734
At 30 June 2008	601	2,484	649	-	3,734
(Charged)/credited to the income statements	(117)	655	127	434	1,099
At 30 June 2009	484	3,139	776	434	4,833
Movements – Parent entity					
At 1 July 2007	533	1,981	364	-	2,878
(Charged)/credited to the income statements	68	503	285	-	856
At 30 June 2008	601	2,484	649	-	3,734
At 30 June 2008	601	2,484	649	-	3,734
(Charged)/credited to the income statements	78	655	127	434	1,294
At 30 June 2009	679	3,139	776	434	5,028

notes to the financial statements for the year ended

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
15. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES				
Sundry payables and accruals	6,305	6,383	6,305	6,511
Employee benefits	532	502	532	502
	6,837	6,885	6,837	7,013
16. CURRENT LIABILITIES – PROVISIONS				
Employee benefits – long service leave	323	205	323	205
17. CURRENT LIABILITIES – CURRENT TAX LIABILITIES				
Income tax	425	618	425	618
18. CURRENT LIABILITIES – OTHER CURRENT LIABILITIES				
Rents and other income billed in advanced	5,026	4,699	5,026	4,699
Rents and other income received in advanced	4,676	4,928	4,676	4,928
	9,702	9,627	9,702	9,627
19. CURRENT LIABILITIES – BORROWINGS				
Commercial bill facility	4,250	1,250	4,250	1,250

30th June 2009

20. NON-CURRENT LIABILITIES – BORROWINGS	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Commercial bill facility	46,750	50,500	46,750	50,500
(a) Financing arrangements				
Bank loan facilities				
Total facilities	54,750	59,750	54,750	59,750
Used at balance date	51,000	51,750	51,000	51,750
Unused at balance date	3,750	8,000	3,750	8,000
Carrying amount of non-current assets pledged as security are:				
First mortgage over freehold land & building	92,203	93,518	89,075	90,379
Floating charge over all other assets	27,502	16,581	30,433	20,111
Total assets pledged as security	119,705	110,099	119,508	110,490

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.

The availability of finance under the facility is subject to 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.

notes to the financial statements

for the year ended

21. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
The balance comprises temporary differences attributable to:				
Tax allowances relating to property, plant and equipment	7,953	7,884	7,953	7,884
Prepayments	252	247	252	247
Derivative financial instrument	-	253	-	253
Total	8,205	8,384	8,205	8,384
Set off of deferred tax assets (note 14)	(4,833)	(3,733)	(5,028)	(3,733)
Total deferred tax liabilities	3,372	4,651	3,177	4,651
Movements:				
Opening balance at 1 July	8,384	8,055	8,384	8,055
Charged/(credited) to the income statement	(179)	329	(179)	329
Closing balance at 30 June	8,205	8,384	8,205	8,384

	Property, plant and equipment \$'000	Derivative financial instrument \$'000	Prepayments \$'000	Other \$'000	Total \$'000
Movements – Consolidated and Parent entity					
At 1 July 2007	7,956	-	-	99	8,055
Charged/(credited) to the income statements	(72)	253	247	(99)	329
At 30 June 2008	7,884	253	247	-	8,384
At 30 June 2008	7,884	253	247	-	8,384
Charged/(credited) to the income statements	69	(253)	5	-	(179)
At 30 June 2009	7,953	-	252	-	8,205

30th June 2009

22. NON-CURRENT LIABILITIES – PROVISIONS	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Employee benefits – long service leave	104	148	104	148

23. CONTRIBUTED EQUITY	CONSOLIDATED AND PARENT ENTITY			
	2009 Shares	2008 Shares	2009 \$	2008 \$
(a) Share capital				
Issued capital comprises 6,524 (2008: 6,521) fully paid shares of \$1 each				
Flowers Ordinary shares	262	262	262	262
Growers Ordinary Shares	712	712	712	712
Retail Markets Ordinary Shares	5,060	5,060	5,060	5,060
Warehouse Ordinary Shares	240	237	240	237
Wholesale Ordinary Shares	250	250	250	250
	6,524	6,521	6,524	6,521

(b) Movements in ordinary share capital:

Date	Details	Number of Shares	\$
1 July 2007	Opening balance	6,521	6,521
30 June 2008	Balance	6,521	6,521
1 July 2008	Opening balance	6,521	6,521
12 January 2009	Issue of shares	1	1
25 June 2009	Issue of shares	2	2
30 June 2009	Balance	6,524	6,524

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

23. CONTRIBUTED EQUITY (continued)

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	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Total borrowings	51,000	51,750	51,000	51,750
Less: cash and cash equivalents	(1,961)	(5,557)	(1,961)	(5,557)
Net debt	49,039	46,193	49,039	46,193
Total equity	46,496	42,113	46,494	42,418
Total capital	95,535	88,306	95,533	88,611
Gearing ratio	51%	52%	51%	52%

24. RETAINED PROFITS

Balance 1 July	42,106	36,117	42,411	36,259
Net profit for the year	4,383	5,989	4,076	6,152
Balance 30 June	46,489	42,106	46,487	42,411

25. FRANKING CREDITS

Franking credits available for subsequent financial years based on a tax rate of 30% (2008 – 30%)

	30,521	26,533	30,521	26,533
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30th June 2009

26. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Directors

The following persons were Directors of Sydney Markets Limited during the financial year:

- (i) *Chairman – non-executive*
Mr John C. Pearson
- (ii) *Non-executive directors*
 - Mr Colin H. Gray Expertise Director
 - Mr William L. Lynch Expertise Director
 - Mr David W. Hynes Independent Director
 - Mr William E. McMahon Nominee Director – Growers Market
 - Mr David J. Whiteman Nominee Director – Warehouses and Deputy Chairman
 - Mr Cosimo Cremona Nominee Director – Wholesale
 - Mr Anthony G. Bassil Nominee Director – Flower Market (up to 23 July 2008)
 - Mr Neil W. Mathews Nominee Director – Retail Markets
 - Mr Alvisio (John) Olivieri Nominee Director – Flower Market (from 23 July 2008)

(b) Other key management personnel

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

<i>Key Management Person</i>	<i>Position</i>
Mr Bradley R. Latham	Chief Executive Officer
Mr Adrian B. Spragg	Chief Financial Officer / Company Secretary (up to 26 March 2009)
Mr Gerry Daras	Head of Special Projects / Company Secretary (from 26 March 2009)
Mr Shane R. Chester	Head of Operations
Mr Martin J. Forster	Head of Site Services
Mr Michael W. Golden	Head of Finance and Corporate Services (from 4 May 2009)

(c) 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 2009 year was \$405,000 (2008: \$390,000) as approved by the shareholders.

notes to the financial statements for the year ended

26. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

(d) Key management personnel compensation

2009	SHORT TERM BENEFITS		POST-EMPLOYMENT	Total	Performance related
	Cash salary and fees	Non cash benefits	Superannuation		
Name	\$	\$	\$	\$	%
Directors					
Mr John C. Pearson	91,000	-	8,000	99,000	- %
Mr William E. McMahon	34,000	1,000	3,000	38,000	- %
Mr Colin H. Gray	34,000	1,000	3,000	38,000	- %
Mr Cosimo Cremona	34,000	1,000	3,000	38,000	- %
Mr Neil W. Mathews	34,000	1,000	3,000	38,000	- %
Mr William L. Lynch	34,000	1,000	3,000	38,000	- %
Mr David J. Whiteman	-	1,000	37,000	38,000	- %
Mr Alvisio (John) Olivieri	34,000	1,000	3,000	38,000	- %
Mr David W. Hynes	34,000	1,000	3,000	38,000	- %
Other key management personnel					
Mr Bradley R. Latham	227,000	17,000	34,000	278,000	4%
Mr Adrian B. Spragg*	177,000	-	11,000	188,000	0%
Mr Gerry Daras	116,000	18,000	10,000	144,000	4%
Mr Shane R. Chester	91,000	20,000	8,000	119,000	3%
Mr Martin J. Forster	114,000	-	10,000	124,000	4%
Mr Michael W. Golden	18,000	-	7,000	25,000	0%
Total	1,072,000	63,000	146,000	1,281,000	

* The amount includes termination payment of \$53,092.

2008	SHORT TERM BENEFITS		POST-EMPLOYMENT	Total	Performance related
	Cash salary and fees	Non cash benefits	Superannuation		
Name	\$	\$	\$	\$	%
Directors					
Mr John C. Pearson	87,000	-	8,000	95,000	- %
Mr William E. McMahon	33,000	1,000	3,000	37,000	- %
Mr Colin H. Gray	33,000	1,000	3,000	37,000	- %
Mr Cosimo Cremona	33,000	1,000	3,000	37,000	- %
Mr Neil W. Mathews	33,000	1,000	3,000	37,000	- %
Mr William L. Lynch	33,000	1,000	3,000	37,000	- %
Mr David J. Whiteman	-	1,000	36,000	37,000	- %
Mr Anthony G. Bassil	-	1,000	36,000	37,000	- %
Mr David W. Hynes	33,000	1,000	3,000	37,000	- %
Other key management personnel					
Mr Bradley R. Latham	231,000	9,000	48,000	288,000	14%
Mr Adrian B. Spragg	159,000	-	13,000	172,000	0%
Mr Gerry Daras	59,000	17,000	49,000	125,000	3%
Mr Shane R. Chester	77,000	11,000	7,000	95,000	3%
Mr Martin J. Forster	99,000	-	11,000	110,000	2%
Mr Thomas C. Hughes	50,000	4,000	25,000	79,000	0%
Total	960,000	49,000	251,000	1,260,000	

30th June 2009

26. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

(i) Share holdings

The numbers of shares held directly, indirectly or beneficially held during the financial year by each Director of Sydney Markets Limited and other key management personnel of the consolidated entity, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2009

Name	Balance at the start of the year	Changes during the year	Balance at the end of the year
Ordinary shares			
Mr Cosimo Cremona	5	-	5
Mr William L. Lynch	17	-	17
Mr Alvisio (John) Olivieri	-	4	4

2008

Ordinary shares			
Mr Cosimo Cremona	5	-	5
Mr William L. Lynch	17	-	17

27. REMUNERATION OF AUDITOR

(a) PricewaterhouseCoopers Australia

Audit and other assurance services

	CONSOLIDATED 2009	2008	PARENT ENTITY 2009	2008
	\$	\$	\$	\$
Audit and review of financial reports	112,300	-	112,300	-
Other assurance services	20,700	-	20,700	-

Other services

Taxation services	30,000	-	30,000	-
Total remuneration for audit and other services	163,000	-	163,000	-

(b) Non-PricewaterhouseCoopers audit firms

Audit and other assurance services

Audit and review of financial reports	-	113,000	-	113,000
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Other services

Other services	-	38,000	-	38,000
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Total remuneration of

Non PricewaterhouseCoopers audit firm	163,000	151,000	163,000	151,000
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28. CONTINGENCIES

There are no contingent liabilities or assets at the reporting date.

notes to the financial statements for the year ended

29. COMMITMENTS

(a) Operating commitments

Operating commitments contracted for but not capitalised in the accounts:

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Payable:				
Less than 1 year	2,683	3,617	2,683	3,617
Longer than 1 year not longer than 5 years	11,241	14,300	11,241	14,300
Longer than 5 years	17,397	19,662	17,397	19,662
	31,321	37,579	31,321	37,579

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:

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Warehouse & Providore unit construction	549	8,592	549	8,592
Other capital expenditure projects	1,757	345	1,757	345
	2,306	8,937	2,306	8,937
Payable:				
Less than 1 year	2,306	8,937	2,306	8,937
	2,306	8,937	2,306	8,937

30th June 2009

30. RELATED PARTY TRANSACTIONS

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

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
(i) Total income received or receivable by Sydney Markets from Director related entities for rents, dues and fees	595,113	705,000	595,113	705,000
(ii) Total expenditure paid or payable by Sydney Markets to Director related entities for produce, sponsorships and scholarships	59,182	64,000	59,182	64,000

The names of Directors concerned with the above transactions were Mr Cosimo Cremona; Mr David J. Whiteman; Mr Colin H. Gray, Mr William L. Lynch and Mr Alvisio (John) Olivieri.

Directors' shareholding details are shown in note 26.

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

31. FINANCIAL RISK MANAGEMENT

Sydney Markets' financial instruments consist of cash balances and short term deposits with banks, bank commercial bills, accounts receivable and payable and interest rate derivatives. The main risks Sydney Markets is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Sydney Markets manages its exposure to key financial risks 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.

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.

(a) Interest rate risk

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 11.

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.

notes to the financial statements for the year ended

31. FINANCIAL RISK MANAGEMENT (continued)

As at the reporting date, Sydney Markets had the following variable rate borrowings and interest ratederivatives outstanding:

	30 JUNE 2009		30 JUNE 2008	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Commercial bill facility	6.62%	51,000	7.23%	51,750
Interest rate derivatives (notional principal amount)	3.90%	(45,000)	7.65%	(45,000)
Net exposure to cash flow interest rate risk		6,000		6,750

At 30 June 2009, 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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
+1% (100 basis points)				
Interest income / (expense)	(343)	(323)	(343)	(323)
Valuation of derivatives	1,124	1,859	1,124	1,859
Total profit/ (loss) effect	781	1,536	781	1,536
-1% (100 basis points)				
Interest income / (expense)	343	323	343	323
Valuation of derivatives	(1,170)	(1,341)	(1,170)	(1,341)
Total profit/ (loss) effect	(827)	(1,018)	(827)	(1,018)

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.

(b) Credit risk

Credit risk with respect to receivables 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 receivables. Credit risks are identified in a timely fashion as the majority of revenue is invoiced in advance. Ageing analysis and monitoring of specific overdue debtors are undertaken to manage credit risk. There is no significant concentration of credit risk involving any one tenant.

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.

(c) Liquidity risk

Sydney Markets manages liquidity risk by monitoring forecast cash flows, taking into account forecast capital expenditure and repairs and maintenance, and ensuring that adequate borrowing facilities are maintained.

The table below reflects undiscounted cashflows arising from all contractually fixed settlement terms for recognised financial liabilities including derivative financial instruments as of 30 June 2009.

30th June 2009

31. FINANCIAL RISK MANAGEMENT (continued)

CONSOLIDATED	Less than 6 months \$'000	6-12 months \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000	Carrying Value \$'000
Year ended 30 June 2009						
Financial liabilities						
Trade and other payables	(6,906)	-	-	-	(6,906)	(6,906)
Interest bearing loans*	(3,964)	(3,892)	(54,849)	-	(62,705)	(51,000)
Derivatives	(518)	(478)	(697)	247	(1,446)	(1,446)
	<u>(11,388)</u>	<u>(4,370)</u>	<u>(55,546)</u>	<u>247</u>	<u>(71,057)</u>	<u>(59,352)</u>
Year ended 30 June 2008						
Financial liabilities						
Trade and other payables	(6,424)	-	-	-	(6,424)	(6,424)
Interest bearing loans*	(6,123)	(4,873)	(65,120)	-	(76,116)	(51,750)
	<u>(12,547)</u>	<u>(4,873)</u>	<u>(65,120)</u>	<u>-</u>	<u>(82,540)</u>	<u>(58,174)</u>

*These maturities are in line with Sydney Markets strategy. The facilities maturing in 2012 will be renegotiated at that time.

(d) Foreign currency risk and price risk

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

(e) Fair value

The net fair value of financial assets and financial liabilities approximate their carrying values.

32. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matter or circumstance has occurred subsequent to year end that 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.

notes to the financial statements

for the year ended

30th June 2009

33. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Profit for the year	4,383	5,989	4,076	6,152
Depreciation and amortisation	4,413	4,308	4,413	4,288
(Profit)/loss on disposal of plant and equipment	(20)	(5)	(20)	(5)
Fair value loss (gain) on derivative financial instruments	2,291	(514)	2,291	(514)
Change in operating assets and liabilities:				
(Increase)/decrease in receivables	(923)	8	(338)	8
(Increase)/decrease in other current assets	(583)	211	(930)	211
(Increase)/decrease in deferred tax balances	(1,278)	(527)	(1,278)	(527)
Increase/(decrease) in trade and other payables	10	3,775	79	3,905
Increase/(decrease) in provisions	74	78	74	78
Increase (decrease) in income taxes payable	(193)	-	(193)	-
Net cash inflow (outflow) from operating activities	8,174	13,323	8,174	13,596

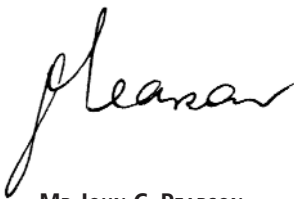
Directors' declaration

30th June 2009

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 12 to 44 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

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



MR JOHN C. PEARSON
CHAIRMAN



MR COLIN H. GRAY
DIRECTOR

Sydney
16 September 2009

independent audit report to the members of



PricewaterhouseCoopers
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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), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Sydney Markets Limited and the Sydney Markets Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time 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 ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

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 judgement, 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.

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Sydney Markets Ltd

30th June 2009

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

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 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 2009 and of its 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 consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1.



PricewaterhouseCoopers



S J Bourke
Partner

Sydney
16 September 2009

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