

CELEBRATING
40
YEARS

AT FLEMINGTON
1975 - 2015

SYDNEY  *MARKETS*®

2016

ANNUAL REPORT

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BOARD OF DIRECTORS 2016



JOHN PEARSON
Chairman



DAVID WHITEMAN
Expertise Director



BILL LYNCH
Expertise Director



DAVID HYNES
Independent Director



WILLIAM LEE
Nominee Director
Growers Market



COS CREMONA
Nominee Director
Warehouses



SHAUN McINERNEY
Nominee Director
Wholesale Market



JOHN OLIVIERI
Nominee Director
Flower Market



MARIO MESSINA
Nominee Director
Retail Markets

SENIOR MANAGEMENT



BRADLEY LATHAM
Chief Executive Officer



SHANE CHESTER
Project Manager



BRIAN BIGELOW
Head of Operations



MICHAEL GORDON
Chief Financial Officer/
Company Secretary



MARTIN FORSTER
Head of Site Services

annual report

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30 June 2016

SYDNEY MARKETS LIMITED
ABN 51 077 119 290
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

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joint message from the Chairman & CEO

JOINT MESSAGE FROM THE CHAIRMAN & CHIEF EXECUTIVE OFFICER

We are pleased to present the 2015/2016 Sydney Markets Limited (SML) Annual Report.

During the reporting period a focus was placed on the preparation of our Strategic Plan for the next 5 years and beyond. This process was highly engaging and represented the outcomes of consultation with our Board, Management and Stakeholders. It was also based on extensive research which underpins a detailed review of SML's current situation, its performance over the last five years and the environment in which it operates.

One of the exciting aspects of the Strategic Plan is to undertake a comprehensive Future of the Markets study to analyse our current operation and future needs of the Markets and to subsequently develop a property strategy.

The outcome of the study will ensure the Central Markets System remains a vital link in the overall horticulture supply chain.

A separate Master Planning process has also been approved to ensure our Paddy's Haymarket brand remains a world leader in retail operations.

SML recently launched our new awards concept titled The Fresh Awards. This has resulted in a new and improved awards program recognising the achievements of growers and independent retailers who trade in the Markets.

The Fresh Awards brings together Sydney Markets' long running greengrocer and florist retail excellence programs which have been expanded to include a number of new categories and a refreshed mystery shopping program. There is also a new category for Bloggers, which recognises the growing role of new media with the food community.

2015 marked the 40th anniversary of the opening of the Sydney Markets site at Flemington. While this represents a small part of our long history, the move to our current location was pivotal and has seen the Markets emerge into the vast, highly efficient operation it is today. Those that have been with the Markets since the start were acknowledged at a special celebration and presented with a commemorative badge and certificate.

FINANCIALS

Financially, SML has reported a strong and successful 12 months. The financials and other related activities are outlined below: The 2015/2016 Financial Year has resulted in another strong financial performance for SML.

- Profit before income tax was \$8.6 million (2015: \$8.4 million).
- Profit after tax of \$5.8 million. (2015: \$5.9 million).
- Operating revenue for the year decreased by 0.6% (2015: increased by 1.9%) compared to last year. The decrease was mainly attributable to lower electricity income.
- Total expenses were down by 1.4% (2015: up by 3.2%) during the year. This was mainly due to lower electricity costs and lower borrowing costs.
- The total capital expenditure for the year was \$7.9 million (2015: \$2.7 million). This was driven by various infrastructure improvements.
- The SML Board's continued commitment to reducing debt has seen borrowings for the purchase of the Sydney Markets site reduce from \$29 million at 1 July 2015 to \$27 million at 30 June 2016. Please note this loan facility has also been used to purchase properties on Parramatta Road for future expansion of the Market.

HIGHLIGHTS

Strategic Plan

- SML's Strategic Plan process review for the period 2016 to 2021 and beyond was completed during the reporting period. The Plan represents an extensive review of SML's current situation, its performance over the previous five years and the environment in which it operates.

The Plan presents five strategic imperatives aimed at maintaining our core base, building momentum in emerging growth opportunities and creating options for the future.

Successful implementation of the Plan will deliver a strong future for our people, shareholders and other stakeholders. The Plan is due to be reviewed again in early 2019.

joint message from the Chairman & CEO

JOINT MESSAGE FROM THE CHAIRMAN & CHIEF EXECUTIVE OFFICER (continued)

- During the reporting period, SML continued to complete comprehensive stakeholder surveys through the independent retailers, warehouse and wholesale tenants and Paddy's Market. These surveys satisfy one of the key pillars of Sydney Markets' 5 year Strategic Plan; to better understand the needs of businesses operating within the Markets. SML uses the results from these surveys to guide our decision making and to ensure we are meeting the needs of the wider industry.

The surveys themselves are comprehensive, covering all aspects of conducting business within the Markets.

Branding/Marketing

- Negotiations have been finalised with Production Company Hark Attack for the airing a second television series showcasing Sydney Markets titled "Life Inside The Markets". The documentary will continue to focus on the journey of fresh produce from the farm through the Markets and on to its final destination in addition to the many characters of the Market.
- In August 2015 our Board of Directors and Senior Managers toured Hobart, Tasmania to conduct the sixth Sydney Markets Industry Briefing. The briefings have proven to be an invaluable way for SML to stay attuned to and maintain strong ties with the communities that make up our industry, and the trip to Hobart was no exception.

The tour included a visit to Houston Farm and its salad processing facility, as well as stopovers at some of Tasmania's fresh produce retailers. The briefing itself was an insightful and informative evening. SML delivered presentations detailing the significance of the Central Market System in the overall horticultural supply chain and presentations were made by guest speaker, author and food critic Matthew Evans, as well as representatives from the Tasmanian Farmers & Graziers Association and Fruit Growers Tasmania.

Environmental

- Sydney Markets' Green Point facility celebrated its ten year anniversary this year. Green Point has contributed significantly to the improvement of our environmental record, which we are exceedingly proud of. A further testament to the value of the Green Point facility and our other environmental initiatives was the achievement of Silver Award category status in the Sustainability Advantage Program run by the NSW Office of Environment and Heritage.

Some key statistics:

- Over 100,000 tonnes of waste has been recycled over the past 10 years
- Over the past 10 years our percentage of recycling has increased from 17% to over 65%
- Continued domestic and international recognition of our program

- The 2016 World Union of Wholesale Markets Awards were announced at the WUWM Conference held recently in Lublin, Poland. The theme for this year's awards was "Effectiveness in reducing food loss and food waste on the Market". Sydney Markets has once again achieved international acknowledgement and has been awarded a Certificate of Merit for its submission which was recognised as "outstanding".

This achievement is due to the efforts of all involved, particularly the Green Point Team and the Environment Committee.

Work Health and Safety Action Plan

- SML treats matters of safety with the utmost importance and dedicates significant time and resources into adopting and upholding safe work practices, as well as educating stakeholders. We remain vigilant in enforcing work health and safety laws and are in constant communication with SafeWork NSW and the NSW Police to support those efforts.
- On the 25th of February 2016, an operation was conducted within Sydney Markets which involved the NSW Police, Roads and Maritime Services (RMS) and SafeWork NSW.

Sydney Markets' Operations team worked alongside SafeWork NSW Inspectors, RMS Inspectors and Police Officers to conduct vehicle inspections, compliance and license checks, and alcohol and drug testing onsite. As a result of the operation, a number of traffic infringements, defect and breach notices were issued.

joint message from the Chairman & CEO

JOINT MESSAGE FROM THE CHAIRMAN & CHIEF EXECUTIVE OFFICER (continued)

- While SML will continue to take steps to improve health and safety standards, the Police operation is a timely reminder that safety is everyone's responsibility. In an environment the size, scale and nature of the Markets, each individual effort to act safely makes the workplace better for everybody.

Change to GTA Access Times

- In the latter half of 2015, SML carried out a comprehensive study into the most appropriate buyer access times into the General Trading Area (GTA) given changing buyer trends and the importance of maintaining workplace health and safety standards in the Markets. That study was followed by a trial and further consultation, consisting of workshops and one-on-one interviews with stakeholders from all sectors of the supply chain.

To address the issues highlighted by the study and stakeholder consultation, it was agreed that the Monday to Friday GTA Buyer Pedestrian and Vehicle Access times would be adjusted as outlined below from 11 July 2016.

- Buyer Pedestrian GTA access time – Monday and Friday – 3am
- Buyer Pedestrian GTA access time – Tuesday to Thursday – 4am
- Buyer Vehicle GTA access time – Monday to Friday – 6am

Feedback received so far indicates the revised times are working well.

Building D Traffic Management Plan/ Growers Market

- A new and improved traffic management plan was implemented within Building D Growers Market during the reporting period. This initiative has successfully created a safer environment for all stakeholders.

Infrastructure

- Extensive roadway repairs have continued to be carried out during the reporting period. Further works will continue over the next 12 months in line with our comprehensive repair program.
- Car Park V extension, expected to be completed during October 2016 will include a two deck extension creating 350 additional parking positions and covered truck parking, in addition to a new lift, storage units and an extension of the Flemington Station pedestrian bridge.
- The Federal Government initiative to provide fast internet services to the community is currently being rolled out to Sydney Markets with connection expected by December 2016.
- An upgrade of Building A, B and C switch rooms located in the buyers walkways has commenced. The new switch rooms will be relocated outside the building on the South Road. The existing rooms will be demolished which will create:
 - Additional produce and display area
 - Improved telecommunications
 - Improved work health and safety
 - Improved buyer experience
- Building E Cooling Towers are currently being replaced with a new energy efficient solution.
- Flemington Railway Station Upgrade works are continuing. Works include lift access via the Station to the Markets. Access to the Markets will be linked to the Car Park V extension project.

Paddy's Market

- SML commenced a detailed analysis to better understand the issues facing Paddy's Haymarket through one-on-one interviews with traders. We are also conducting further research into the changing demographics of the Haymarket area, as well as continuing our regular customer survey program.

Commencing in April 2016, the SML Board has approved the formation of a Paddy's Haymarket Master Plan Subcommittee comprising SML Board Members, Senior Managers and traders tasked with the review of the entire Paddy's Haymarket Strategy and Operational Plan.

An estimated 40,000 people attended this year's Kids Carnival at Paddy's Flemington on Sunday 22 May 2016. The annual Paddy's event continues to showcase the Paddy's Brand.

joint message from the Chairman & CEO

JOINT MESSAGE FROM THE CHAIRMAN & CHIEF EXECUTIVE OFFICER (continued)

Other News:

- In June 2016 Mr Cosimo Cremona and Mr William Lee were re-elected as Nominee Directors for the Warehouse and Growers categories respectively.

We congratulate Mr Cremona and Mr Lee on their appointments.

- The Sydney Markets annual Summer Fruit Auction and Race Day raised a combined total of \$53,000 for the Sydney Markets Foundation. The funds raised assisted Save Our Sons, the Prostate Cancer Foundation of Australia, Cancer Council and Oz Harvest. Congratulations must go to the Markets community on this outstanding achievement.

Industry Participation

- SML's continuing focus on Industry participation is highlighted by Chairman John Pearson and CEO Bradley Latham attending a range of events during the past twelve months, most notably:

SML was represented at the 29th WUWM Congress held in Campinas, Brazil. The Congress was hosted by the Campinas wholesale market, CEASA CAMPINAS, and the Brazilian national markets association, ABRACEN, with the theme of "The Environment and the Future of Wholesale Markets".

Speakers and panel debates covered a range of issues including new scenarios for the food supply chain in the face of climate change, wholesale market efficiency and specialisation, value chain integration and new food retail distribution models for traditional wholesale markets.

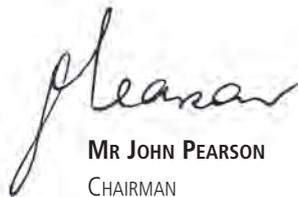
The event also included technical market visits to two wholesale markets – CEASA Campinas and CEAGESP (the wholesale market of São Paulo), and a retail market – the Municipal Marketplace in São Paulo.

In conclusion, our sincere thanks go to our Directors, Management, staff and contractors and to all stakeholders, in particular those who give their time to represent on the Council of Market Representatives, the Fresh for Kids Committee and the Paddy's Advisory Committee.

All financial indicators show SML can look forward to another strong performance for the 2016-2017 year.



MR BRADLEY LATHAM
CHIEF EXECUTIVE OFFICER



MR JOHN PEARSON
CHAIRMAN

marketing report

Marketing continues to play an important role in keeping Sydney Markets' Brands active in the marketplace. To highlight this, a number of Paddy's Market initiatives have been introduced during the reporting period.

FRIENDS OF PADDY'S

Sydney's Paddy's Markets launched a customer loyalty program called Friends of Paddy's. Paddy's Markets customers can join the program for free through the Paddy's mobile application or via the Friends of Paddy's website, and on doing so receive access to member only offers such as competitions, sales and special promotions.

The program was introduced in order to:

- Provide Paddy's Markets traders with a way of broadcasting offers and promotions directly to customers online and through mobile;
- Provide customers with incentives to visit Paddy's Markets, and ongoing offers and promotions to encourage repeat visits and purchases; and
- Build a database of Paddy's Markets customers that can be targeted for marketing and advertising campaigns.

To create awareness among customers and traders and generate new member sign ups, Paddy's Markets has undertaken a range of promotional activities in support of the program, including:

Promotional Teams

Promotions staff were in place at both Paddy's Markets locations over a 4-week period from launch. The teams walked through the markets engaging with customers and traders to distribute flyers and speak to them about the program. They were also equipped with iPads which allowed them to sign customers up on the spot.

Member Prize Draw

Every new member signed up to Friends of Paddy's within the first three months of the program's launch went into the draw to win a travel voucher, with one voucher to be won each month.

Markets in May

Paddy's Markets was a major sponsor for a pop-up markets event run by online publisher Local Market Guide. The event, held in Martin Place over three weeks, was a showcase of different local markets around Sydney. As sponsor, Paddy's Markets exhibited at the event with a promotional stand that advertised the Friends of Paddy's program. Promotional staff roamed the event to raise awareness about the program among event-goers and encourage them to join.

FRESH FOR KIDS

Fresh For Kids continues to be one of the most successful healthy eating campaigns aimed toward primary school aged children in Australia.

The Fresh for Kids program aims to help school aged children achieve a healthy lifestyle by encouraging them to eat plenty of fresh fruit and vegetables and by participating in physical activity. The program is a multifaceted, non-profit program started in the early stages of 1997 to combat the alarmingly low levels of fresh fruit and vegetable consumption within primary school aged children.

Through close relationships with various organisations including government departments, teachers, canteen supervisors, independent retailers and parents, the Fresh for Kids program is able to implement a strong children's program that achieves the aim of increasing the consumption of fresh fruit and vegetables and an active lifestyle among primary school aged children.

Fresh For Kids is the major partner of the NSW Department of Education's 'Premier's Primary School Sport Challenge' which aims to engage young people in sport and physical activity and encourages them to lead healthy, active lifestyles. The Premier's Primary School Sport Challenge involves primary school classes participating in a 10 week sport and physical activity challenge and encourages healthy eating.

The Fresh for Kids website is an integral component of the Fresh for Kids program. The site was developed to provide a fun and educational resource for children, their parents and teachers. The site allows immediate access and integration across all aspects of the Fresh for Kids program for children and is loaded with fruit and vegetable information, recipes, activities and games.

Directors' report

Your Directors present their report on Sydney Markets Limited (the company) for the year ended 30 June 2016.

DIRECTORS

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

Mr John C. Pearson	Chairman
Mr William W. Lee	
Mr David J. Whiteman	
Mr William L. Lynch	
Mr Cosimo Cremona	
Mr David W. Hynes	(Deputy Chairman from 20 August 2014 to 19 August 2015)
Mr Alvisio (John) Olivieri	(Deputy Chairman from 19 August 2015 to 17 August 2016)
Mr Shaun M. McInerney	(Deputy Chairman from 17 August 2016)
Mr Mario J. Messina	

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 Limited during the financial year were to manage and administer the Sydney Markets at Flemington and Haymarket.

There was no significant change in the nature of the activity of the company 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

There have been no significant changes in the state of affairs of the company during the year.

DIVIDENDS – SYDNEY MARKETS LIMITED

No dividends were paid or recommended during the year. Sydney Markets Limited's 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 Limited's 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 Limited and the expected results of those operations in future financial years, which will significantly change the state of affairs of Sydney Markets Limited or its shareholders.

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 2016 which has significantly affected or may significantly affect the operations of Sydney Markets Limited, the results of those operations, or the state of affairs of Sydney Markets Limited in subsequent financial years.

marketing report

ENVIRONMENTAL REGULATION

Sydney Markets Limited's 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 Limited 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 Limited has complied with all the required regulations during the year ended 30 June 2016.

INFORMATION ON DIRECTORS

Mr John C. Pearson – **Non-Executive Independent Director & Chairman**

- Experience and expertise:
- Board Member since 2003
 - Chairman since 18 May 2005
 - Deputy Chairman from 22 September 2004 to 18 May 2005
 - Chair, Director Selection Committee, Freshcare Limited
 - Experienced and successful finance executive with significant banking, building society and management exposure at senior levels.
- Other current directorships:
- Director of R.P. Cricket Pty Ltd – T/A Randwick Petersham Foundation
- SML Committees:
- Finance and Audit, Remuneration, Master Plan, Retail Markets Sub Committee
- Interests in shares and options:
- Nil

Mr David W. Hynes – **Non-Executive Independent Director Deputy Chairman from 20 August 2014 to 19 August 2015**

- Qualifications:
- B.Ec / LL.B (Sydney Uni)
- Experience and expertise:
- Board Member since 2005
 - Deputy Chairman from 17 August 2011 to 15 August 2012
- Other current directorships:
- Executive Director of Winston Langley Pty Limited, a property development and property advisory organisation
 - President of the Australian Baseball Federation
- SML Committees:
- Remuneration, Master Plan, Retail Markets Sub Committee
- Interests in shares:
- Nil

Mr David J. Whiteman – **Non-Executive Expertise Director**

- Qualifications:
- BA (Macquarie University) majoring in Economics & Financial Studies
- Experience and expertise:
- Board member from 21 July 2004 to 17 July 2013 and from 19 August 2015
 - Deputy Chairman from 23 July 2009 to 25 August 2010
 - Over 47 years experience in the fruit and vegetable industry
- Other current directorships:
- Director of C J Lewis Pty Ltd
 - Director of Mount View (Orchids Batlow) Pty Ltd
 - Director of Davic Investments Pty Ltd
 - Director of Chamber (Holdings) Pty Ltd
 - Director of NSW Chamber (Services) Pty Ltd
 - Director, The Australian Chamber of Fruit and Vegetable Industries Ltd
 - Director, The NSW Chamber of Fruit and Vegetable Industries Inc.
- SML Committees:
- Finance and Audit
- Interests in shares:
- Nil

Directors' report

INFORMATION ON DIRECTORS (continued)

Mr William L. Lynch – Non-Executive Expertise Director

- Experience and expertise:
- Board Member since 1998
 - Deputy Chairman from 20 September 2000 to 28 November 2001, from 18 May 2005 to 17 May 2006 and from 15 August 2012 to 21 August 2013
 - Over 58 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, The NSW Chamber of Fruit and Vegetable Industries Inc.
- Other current directorships:
- Director of W & D Lynch Pty Ltd
 - Director of Carismatic Pty Ltd
 - Director of Fresh Flower Group Pty Ltd
 - Director of Lynch Group Events Pty Ltd
 - Director of Lynch Flowers Brisbane Pty Ltd
- SML Committees:
- Remuneration, Finance and Audit Committee
- Interests in shares:
- 6 Flower Market Ordinary Shares

Mr Cosimo Cremona – Non-Executive Nominee Director – Warehouses

- Experience and expertise:
- Board Member from 24 July 2002 to 13 July 2011 and from 17 July 2013
 - Deputy Chairman from 17 May 2006 to 22 August 2007
 - Over 36 years experience in the fruit and vegetable industry
 - Member of the Lions Club, Sydney Markets
- Other current directorships:
- Nil
- SML Committees:
- Environment Management
- Interests in shares:
- Nil

Mr William W. Lee – Non-Executive Nominee Director – Growers Market

- Experience and expertise:
- Board Member since 26 October 2011
 - Over 55 years experience in the growers industry
- Other current directorships:
- Lee Bong Bros Pty Ltd
- SML committees:
- Nil
- Interests in shares:
- 3 Retail Markets Ordinary Shares, 2 Growers Market Ordinary Shares and 1 Warehouse Ordinary Share

Mr Alvisio (John) Olivieri – Non-Executive Nominee Director – Flower Market Deputy Chairman from 19 August 2015 to 17 August 2016

- Experience and expertise:
- Board Member since July 2008
 - Over 37 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:
- Master Plan
- Interests in shares:
- 4 Flower Market Ordinary Shares

Directors' report

INFORMATION ON DIRECTORS (continued)

Mr Shaun M. McInerney – **Non-Executive Nominee Director – Wholesale Deputy Chairman from 17 August 2016**

- Experience and expertise:
- Board Member since July 2011
 - Over 34 years experience in the fruit and vegetable industry
- Other current directorships:
- Director Fresh Fellas Pty Limited
- SML committees:
- Environment Management
- Interests in shares:
- 8 Retail Markets Ordinary Shares, 4 Wholesale Market Ordinary Shares, 2 Warehouse Ordinary Share and 1 Growers Market Ordinary Share

Mr Mario J. Messina – **Non-Executive Nominee Director – Retail Markets**

- Qualifications:
- Diploma – Marketing
- Experience and expertise:
- Board Member since 18 July 2012
 - Over 29 years experience at Sydney Markets
 - Representative, Paddy's Advisory Committee
 - Member of Council of Market Representatives from September 1999 to June 2012
- Other current directorships:
- Nil
- SML committees:
- Environment Management, Master Plan
- Interests in shares:
- 8 Retail Markets Ordinary Shares.

COMPANY SECRETARY

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

Mr Michael Golden

Mr Michael Golden has over 16 years experience in Chief Financial Officer roles. He is a Fellow of the Institute of Public Accountants and a Chartered Tax Advisor of the Taxation Institute of Australia.

Directors' report

MEETINGS OF DIRECTORS

Details of Directors' meetings held during the financial year ended 30 June 2016 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 (Chairman)	13	13	7	7
Mr William W. Lee	13	13	—	—
Mr David J. Whiteman	13	11	7	4
Mr William L. Lynch	13	11	7	7
Mr Cosimo Cremona	13	13	—	—
Mr David W. Hynes	13	11	—	—
Mr Alvisio (John) Olivieri (Deputy Chairman)	13	11	—	—
Mr Shaun M. McInerney	13	13	—	—
Mr Mario J. Messina	13	13	—	—

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

B = Number of meetings attended

DIRECTORS AND OFFICERS REMUNERATION

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

- Directors' and Officers' fees and remuneration as shown in Sydney Markets Limited's remuneration report below (Part B).
- Interests or involvement in a company or entity that has a lease or licence with Sydney Markets Limited on terms and conditions no more favourable than those of other Market tenants (note 25).

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The key management personnel comprise the directors and the following persons who had authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, during the financial year:

Key Management Personnel	Position
Mr Bradley R. Latham	Chief Executive Officer
Mr Michael W. Golden	Chief Financial Officer/Company Secretary
Mr Shane R. Chester	Project Manager
Mr Martin J. Forster	Head of Site Services
Mr. Brian W. Bigelow	Head of Operations

Directors' report

DIRECTORS AND OFFICERS REMUNERATION (continued)

A Principles used to determine the nature and amount of remuneration

The compensation structure for key management personnel is based on the experience and capability of the individual concerned, the market level for jobs of comparable nature, size and level of responsibility and the overall performance of Sydney Markets Limited. The contracts for service between Sydney Markets Limited 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 agreed individual key performance indicators and reviews on the anniversary of employment date.

The objective of Sydney Markets Limited's 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 / alignment of executive compensation
- 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 2016 year was \$482,964 (2015: \$477,545) as approved by the shareholders.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the Directors and other key management personnel of the company (as defined in AASB 124 *Related Party Disclosures*) are set out in the following tables. The performance related % shows the % of total remuneration which is subject to the performance of the individual and Sydney Markets Limited as determined by the Remuneration Committee.

2016

Name	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Total \$	Performance related %
Non-executive Directors						
Mr John C. Pearson (Chairman)	104,909	—	4,799	9,921	119,629	—
Mr William L. Lynch	44,695	—	1,200	-	45,895	—
Mr Alvisio (John) Olivieri	40,713	—	1,200	3,982	45,895	—
Mr David W. Hynes	40,713	—	1,200	3,982	45,895	—
Mr Shaun M. McInerney	40,713	—	1,200	3,982	45,895	—
Mr William W. Lee	9,629	—	1,200	35,066	45,895	—
Mr Mario J. Messina	40,713	—	1,200	3,982	45,895	—
Mr Cosimo Cremona	40,713	—	1,200	3,982	45,895	—
Mr David J. Whiteman	7,102	—	1,100	33,868	42,070	—
Total	369,900	—	14,299	98,765	482,964	—

Directors' report

DIRECTORS AND OFFICERS REMUNERATION (continued)

B Details of remuneration (continued)

2016

Name	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Total \$	Performance related %
Other key management personnel						
Mr Bradley R. Latham	289,184	10,000	36,888	35,000	371,072	2.7
Mr Michael W. Golden	154,755	5,000	25,736	15,740	201,231	2.5
Mr Shane R. Chester	114,978	5,000	21,779	11,981	153,738	3.3
Mr Martin J. Forster	115,000	5,000	–	35,000	155,000	3.2
Mr Brian W. Bigelow	73,246	–	–	6,533	79,779	–
Total	747,163	25,000	84,403	104,254	960,820	
Total	1,117,063	25,000	98,702	203,019	1,443,784	

2015

Name	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Total \$	Performance related %
Non-executive Directors						
Mr John C. Pearson (Chairman)	106,832	–	–	10,201	117,033	–
Mr Colin H. Gray	33,954	–	1,200	9,910	45,064	–
Mr William L. Lynch	39,954	–	1,200	3,910	45,064	–
Mr Alvisio (John) Olivieri	39,954	–	1,200	3,910	45,064	–
Mr David W. Hynes	39,954	–	1,200	3,910	45,064	–
Mr Shaun M. McInerney	39,954	–	1,200	3,910	45,064	–
Mr William W. Lee	39,954	–	1,200	3,910	45,064	–
Mr Mario J. Messina	39,954	–	1,200	3,910	45,064	–
Mr Cosimo Cremona	39,954	–	1,200	3,910	45,064	–
Total	420,464	–	9,600	47,481	477,545	
Other key management personnel						
Mr Bradley R. Latham	283,160	10,000	32,256	35,000	360,416	2.7
Mr Gerry Daras	112,459	5,000	35,415	35,000	187,874	2.6
Mr Michael W. Golden	154,305	5,000	19,102	15,055	193,462	2.6
Mr Shane R. Chester	116,563	5,000	19,141	11,139	151,843	3.3
Mr Martin J. Forster	112,663	5,000	–	35,000	152,663	3.2
Total	779,150	30,000	105,914	131,194	1,046,258	
Total	1,199,614	30,000	115,514	178,675	1,523,803	

Shares under option

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

Directors' report

DIRECTORS AND OFFICERS REMUNERATION (continued)

Equity instrument disclosures relating to key management personnel

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 company, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2016	Balance at the start of the year or on date of appointment	Changes during the year	Balance at end of the year
Name			
Directors of Sydney Markets Limited			
Ordinary shares			
Mr William L. Lynch	6	—	6
Mr Alvisio (John) Olivieri	4	—	4
Mr Shaun M. McInerney	15	—	15
Mr William W. Lee	6	—	6
Mr Mario J. Messina	8	—	8

2015	Balance at the start of the year or on date of appointment	Changes during the year	Balance at end of the year
Name			
Directors of Sydney Markets Limited			
Ordinary shares			
Mr William L. Lynch	6	—	6
Mr Alvisio (John) Olivieri	4	—	4
Mr Shaun M. McInerney	10	5	15
Mr William W. Lee	6	—	6
Mr Mario J. Messina	8	—	8

Other transactions with key management personnel

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

	2016 \$	2015 \$
Amounts recognised as revenue		
Total income received or receivable by Sydney Markets Limited from Director-related entities for rents, dues and fees (recognised in revenue from continuing operations)	355,483	388,649
Amounts recognised as expense		
Total expenditure paid or payable by Sydney Markets Limited to Director-related entities for produce, sponsorships and scholarships (recognised in advertising and promotion costs and management and administration costs)	63,166	51,499

The names of Directors concerned with the above transactions were Mr David J. Whiteman, Mr William L. Lynch, Mr Alvisio (John) Olivieri, Mr William W Lee, Mr Mario J Messina and Mr Shaun M McInerney.

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

Directors' report

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 and Audit, Environment Management, Remuneration and Master Plan operated during the year and these committees meet on a regular basis.

Ethical standards

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

Insurance of officers

During the financial year, Sydney Markets Limited 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 Limited. 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 16.

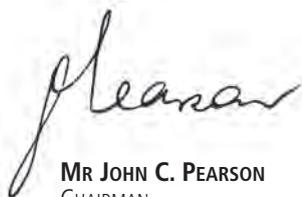
ROUNDING OF AMOUNTS

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, 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 Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

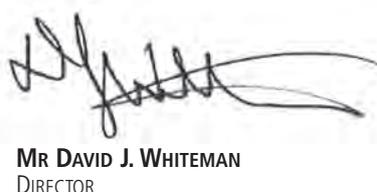
AUDITOR

PricewaterhouseCoopers 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 DAVID J. WHITEMAN
DIRECTOR

Sydney
14 September 2016

Auditor's independence declaration



Auditor's Independence Declaration

As lead auditor for the audit of Sydney Markets Limited for the year ended 30 June 2016, 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.

A handwritten signature in black ink, appearing to read 'S.T. Maher'.

Shannon Maher
Partner
PricewaterhouseCoopers

Sydney
14 September 2016

PricewaterhouseCoopers, ABN 52 780 433 757

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financial report contents

30 June 2016

SYDNEY MARKETS LIMITED
ABN 51 077 119 290
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

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These financial statements are the financial statements of Sydney Markets Limited as an individual entity. The financial statements are presented in the Australian currency.

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

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

A description of the nature of the company's operations and its principal activities is included in the Directors' report on pages 7 to 15, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 14 September 2016. The Directors have the power to amend and reissue the financial statements.

statement of comprehensive income

for the year ended

30 June 2016

	Notes	2016 \$'000	2015 \$'000
Revenue from continuing operations	4	58,928	59,303
Property cost		(23,516)	(24,330)
Payroll cost		(6,408)	(6,387)
Repairs and maintenance		(6,131)	(6,317)
Management and administration cost		(1,514)	(1,105)
Advertising and promotion		(4,916)	(4,696)
Professional fee		(3,068)	(2,666)
Depreciation expense	5	(3,477)	(3,546)
Finance expense	5	(1,474)	(2,172)
Total expenses from continuing operations		(50,504)	(51,219)
Theoretical valuation gain on derivatives		170	301
Profit before income tax		8,594	8,385
Income tax expense	6	(2,750)	(2,521)
Profit for the year		5,844	5,864
Other comprehensive income			
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year		5,844	5,864
Profit is attributable to:			
Owners of Sydney Markets Limited		5,844	5,864
Total comprehensive income for the year is attributable to:			
Owners of Sydney Markets Limited		5,844	5,864

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

balance sheet

as at

30 June 2016

		2016	2015
	Notes	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	3,609	4,362
Trade and other receivables	9	14,858	13,563
Current tax receivables	10	–	104
Assets classified as held for sale	7	654	–
Total current assets		19,121	18,029
Non-current assets			
Property, plant and equipment	12	122,449	119,138
Total non-current assets		122,449	119,138
Total assets		141,570	137,167
LIABILITIES			
Current liabilities			
Trade and other payables	14	3,102	2,870
Borrowings	15	–	29,000
Derivative financial instruments	11	302	406
Current tax liabilities	17	482	–
Employee benefit obligations	16	1,448	1,422
Other current liabilities	18	9,319	9,781
Total current liabilities		14,653	43,479
Non-current liabilities			
Borrowings	19	27,000	–
Derivative financial instruments	11	628	694
Deferred tax liabilities	20	5,175	4,751
Employee benefit obligations	21	160	133
Total non-current liabilities		32,963	5,578
Total liabilities		47,616	49,057
Net assets		93,954	88,110
EQUITY			
Contributed equity	22	7	7
Retained earnings	23	93,947	88,103
Total equity		93,954	88,110

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

statement of changes in equity

for the year ended

30 June 2016

	Contributed equity \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2014	7	82,239	82,246
Profit for the year	–	5,864	5,864
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	5,864	5,864
Balance at 30 June 2015	7	88,103	88,110
Balance at 1 July 2015	7	88,103	88,110
Profit for the year	–	5,844	5,844
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	5,844	5,844
Balance at 30 June 2016	7	93,947	93,954

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

statement of cash flows

for the year ended

30 June 2016

	Notes	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		62,717	64,240
Payments to suppliers and employees (inclusive of goods and services tax)		(50,841)	(51,441)
		11,876	12,799
Interest received		47	45
Interest paid		(1,474)	(2,172)
Income taxes paid		(1,740)	(2,293)
Net cash inflow from operating activities	32	8,709	8,379
Cash flows from investing activities			
Payments for property, plant and equipment	12	(7,756)	(2,658)
Proceeds from sale of property, plant and equipment		294	52
Net cash (outflow) from investing activities		(7,462)	(2,606)
Cash flows from financing activities			
Repayment of borrowings		(2,000)	(4,000)
Net cash (outflow) from financing activities		(2,000)	(4,000)
Net (decrease) increase in cash and cash equivalents		(753)	1,773
Cash and cash equivalents at the beginning of the financial year		4,362	2,589
Cash and cash equivalents at the end of the year	8	3,609	4,362

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

notes to the financial statements

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30 June 2016

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notes to the financial statements

for the year ended

30 June 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Sydney Markets Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The financial statements of the Sydney Markets Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the company

The company elected to adopt the following two standards early:

- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*, and
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*.

As these amendments merely clarify the existing requirements, they do not affect the company's accounting policies or any of the disclosures.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, except for certain assets which, as noted, are at fair value.

(iv) Critical accounting estimates

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

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the business, have been identified as the Senior Management team.

(c) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Australia. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

notes to the financial statements for the year ended

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Income tax (continued)

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(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 economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on 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 or, in case of leasehold improvements, the shorter lease term. 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 are:

	Depreciation rate
– Buildings	2.5%
– Plant and machinery	15%
– Fixtures, fittings and equipment	15%
– Leasehold improvements	2.5%
– Motor vehicles	22.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 proceeds with carrying amount. These are included in profit or loss.

(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 profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the company is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments

Recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the company 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.

Sydney Markets Limited designates certain derivatives as hedging instruments. In such cases, on entering into a derivative contract, Sydney Markets Limited documents the relationship between the derivative and the items being hedged, such as the variable rate on interest payments, as well as its objective for entering into the derivative contract. It also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion and changes in the fair value of derivatives that do not qualify as cash flow hedges are recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss.

Fair value

The fair value of financial assets and financial liabilities is 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 quoted market prices or dealer quotes for similar 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 Limited for similar financial instruments.

Impairment

At each reporting date, Sydney Markets Limited assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in profit or loss.

notes to the financial statements for the year ended

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of assets

At each reporting date, Sydney Markets Limited 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 profit or loss.

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

(h) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(i) Provisions

Provisions are recognised when Sydney Markets Limited 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

For the purpose of presentation in the statement of cash flows, 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 in the balance sheet.

(k) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Sydney Markets Limited's functional and presentation currency.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of taxes paid. The company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. 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 using the effective interest method.

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

(m) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal company classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

(n) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability 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 Limited 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 profit or loss.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

notes to the financial statements for the year ended

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Trade and other payables

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

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(q) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

(r) Contributed equity

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

(s) 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.

(t) 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 stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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

(u) Rounding of amounts

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

30 June 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not yet been applied in the financial statements. The company's assessment of the impact of these new standards and interpretations, which may be relevant to the company, is set out below.

(i) AASB 9 Financial Instruments (effective from 1 January 2018)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Must be applied for financial years commencing on or after 1 January 2018.

Based on the transitional provisions in the completed AASB 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

The company is currently assessing whether it should adopt AASB 9 before its mandatory date.

(ii) AASB 15 Revenue from Contracts with Customers (effective 1 January 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the company's financial statements.

At this stage, the company is not able to estimate the effect of the new rules on the company's financial statements. The company will make more detailed assessments of the effect over the next twelve months.

Mandatory for financial years commencing on or after 1 January 2018.

Expected date of adoption by the company: 1 January 2018.

(iii) AASB 16 Leases (effective 1 January 2018)

The AASB has issued the new standard which will replace AASB 117 which covers Leases. The new standard requires all lessees to recognise an asset (for the right to use the leased item) and a liability (obligation to pay rentals) for the present value of the minimum lease payments due under the lease term. This applies to all leases, except those with a maximum term of up to 12 months. There will be two different expense recognition patterns, depending on whether the lease is classified as type A or B lease.

Management is currently assessing the effects of applying the new standard on the company's financial statements.

At this stage, the company is not able to estimate the effect of the new rules on the company's financial statements. The company will make more detailed assessments of the effect over the next twelve months.

Transition methods – On transition, all existing leases will need to be reassessed and the new model will be applied using either a fully retrospective approach or a simplified retrospective approach.

Expected date of adoption by the company: 1 July 2018.

There are no other standards that are not yet effective and that are expected to have a material impact on the company in the current or future reporting periods and on foreseeable future transactions.

notes to the financial statements for the year ended

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the company and that are believed to be reasonable under the circumstances.

(a) Key estimates and judgements

(i) Impairment

Sydney Markets Limited 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.

(ii) Long service leave provision

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at reporting date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

(iii) Allowance for impairment loss on trade receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management. Due to the larger number of debtors, this assessment is based on supportable past collection history and historical write-offs of bad debts.

3 SEGMENT INFORMATION

Sydney Markets Limited manages and administers the operations of the largest central produce and retail markets in Australia. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the business, have been identified as the Senior Management team. Internal reporting provided to the Senior Management team shows a single operating segment being the business as a whole.

4 REVENUE	2016 \$'000	2015 \$'000
From continuing operations		
Rents	24,136	23,637
Dues and fees	19,380	19,711
Other operating revenue	11,285	12,006
Advertising and promotions	3,127	3,251
Consideration on transfer of licences and leases	864	471
Interest revenue	47	45
Other revenue	89	182
	58,928	59,303

30 June 2016

5 EXPENSES	2016 \$'000	2015 \$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Buildings	1,823	1,806
Plant and equipment	1,569	1,582
Leasehold improvements	85	158
Total depreciation	3,477	3,546
<i>Finance costs</i>		
Interest and finance charges paid to external parties	1,474	2,172
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	3,050	2,994
Loss on disposal of property, plant and equipment	20	17
6 INCOME TAX EXPENSE		
(a) Income tax expense		
Current tax – current year	2,395	2,214
Current tax – prior year	(69)	(392)
Deferred tax	269	312
Deferred tax – prior year	155	387
	2,750	2,521
Deferred income tax expense included in income tax expense comprises:		
Decrease in deferred tax assets (note 13)	36	52
Increase in deferred tax liabilities (note 20)	388	647
	424	699
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	8,594	8,385
Tax at the Australian tax rate of 30.0% (2015 – 30.0%)	2,578	2,516
Adjustments from prior periods	88	5
Permanent differences	84	–
Income tax expense	2,750	2,521
7 ASSETS CLASSIFIED AS HELD FOR SALE		
The following assets were reclassified as held for sale as at 30 June 2016:		
Assets classified as held for sale – Property, plant and equipment	654	–
8 CURRENT ASSETS – CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	3,609	4,362

notes to the financial statements for the year ended

9 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES	2016 \$'000	2015 \$'000
Trade receivables	8,223	5,962
Receivables invoiced in advance	3,344	3,900
Provision for impairment of receivables (a)	(80)	(70)
	11,487	9,792
Accrued income and other receivables	1,230	1,354
Prepayments	2,141	2,417
	14,858	13,563

(a) Provision for impairment of trade receivables

Current trade receivables are non-interest bearing 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.

Movements in the provision for impairment of receivables are as follows:

Opening balance	70	60
Provision for impairment recognised during the year	10	10
Closing balance	80	70

(b) Past due but not impaired

As at 30 June 2016, trade receivables of \$734,000 (2015: \$1,113,000) were past due but not impaired. These relate to number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

Up to 3 months	256	468
3 to 6 months	478	645
	734	1,113

10 CURRENT ASSETS – CURRENT TAX RECEIVABLES

Current tax receivables	–	104
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30 June 2016

11 DERIVATIVE FINANCIAL INSTRUMENTS	2016	2015
	\$'000	\$'000
<p>Derivatives are only used for economic hedging purposes and not as trading or speculative investments. The group has the following derivative financial instruments:</p>		
Current liabilities		
Interest rate collars	302	406
Total current derivative financial instrument liabilities	302	406
Non-current liabilities		
Interest rate collars	628	694
Total non-current derivative financial instrument liabilities	628	694
Total derivative financial instrument liabilities	930	1,100

(a) Instruments used by the company

Sydney Markets Limited 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 56% (2015: 52%) of the variable loan principal outstanding. The derivatives are timed to match the repayment terms of the existing loans or the forecast terms of replacement loans which will be negotiated prior to the expiry of the existing loans. Details of the terms of the derivatives are set out below.

	2016	2015
	\$'000	\$'000
Settlement of interest rate collars:		
Less than 1 year Max 6.81%, Min 3.75%	5,000	5,000
1 to 5 years Max 6.81%, Min 3.75%	10,000	10,000
	15,000	15,000

The fair values of derivative financial instruments are determined based on dealer quotes for similar instruments.

notes to the financial statements for the year ended

12 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Freehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Capital work in progress \$'000	Total \$'000
At 1 July 2014						
Cost	55,803	71,762	33,714	1,163	2,378	164,820
Accumulated depreciation	–	(17,255)	(26,765)	(705)	–	(44,725)
Net book amount	55,803	54,507	6,949	458	2,378	120,095
Year ended 30 June 2015						
Opening net book amount	55,803	54,507	6,949	458	2,378	120,095
Additions	–	–	915	–	1,743	2,658
Disposals	–	–	(69)	–	–	(69)
Depreciation charge	–	(1,806)	(1,582)	(158)	–	(3,546)
Transfers	–	1,290	1,847	–	(3,137)	–
Closing net book amount	55,803	53,991	8,060	300	984	119,138
At 30 June 2015						
Cost	55,803	73,050	36,165	1,163	984	167,165
Accumulated depreciation	–	(19,059)	(28,105)	(863)	–	(48,027)
Net book amount	55,803	53,991	8,060	300	984	119,138
Year ended 30 June 2016						
Opening net book amount	55,803	53,991	8,060	300	984	119,138
Additions	–	9	660	109	6,978	7,756
Disposals	–	–	(314)	–	–	(314)
Depreciation charge	–	(1,823)	(1,569)	(85)	–	(3,477)
Transfers	–	–	596	–	(596)	–
Assets classified as held for sale	(306)	(348)	–	–	–	(654)
Closing net book amount	55,497	51,829	7,433	324	7,366	122,449
At 30 June 2016						
Cost	55,497	72,711	36,924	1,272	7,366	173,770
Accumulated depreciation	–	(20,882)	(29,491)	(948)	–	(51,321)
Net book amount	55,497	51,829	7,433	324	7,366	122,449

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.

30 June 2016

13 NON-CURRENT ASSETS – DEFERRED TAX ASSETS	2016	2015
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Provisions and accruals	506	491
Derivative financial instrument	279	330
	785	821
Set-off of deferred tax liabilities pursuant to set-off provisions (note 20)	(785)	(821)
Net deferred tax assets	–	–
	Provisions and accruals	Derivative financial instrument
	\$'000	\$'000
Movements:		Total
		\$'000
At 1 July 2014	453	420
(Charged)/credited		
– to profit or loss	38	(90)
At 30 June 2015	491	330
At 1 July 2015	491	330
(Charged)/credited		
– to profit or loss	15	(51)
At 30 June 2016	506	279
		785
	2016	2015
	\$'000	\$'000
Recovery of deferred tax assets		
Deferred tax assets expected to be recovered within 12 months	597	613
Deferred tax assets expected to be recovered after more than 12 months	188	208
	785	821
14 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES		
Trade payables and accruals	3,102	2,870

notes to the financial statements for the year ended

15 CURRENT LIABILITIES – BORROWINGS	2016 \$'000	2015 \$'000
Secured		
Current commercial bill facility	–	29,000
Total secured current borrowings	–	29,000
(a) Financing arrangements		
Bank loan facility		
Total facilities	45,350	45,350
Used at balance date	(27,000)	(29,000)
Unused at balance date	18,350	16,350
(b) Secured liabilities and assets pledged as security		
<i>First mortgage</i>		
Freehold land and buildings	107,980	109,794
<i>Floating charge</i>		
All other assets	33,590	27,371
Total assets pledged as security	141,570	137,165

Sydney Markets Limited has a 3 year \$50 million loan facility (overdraft and commercial bill facility) secured by a mortgage over the land and buildings and a charge over the assets of Sydney Markets Limited and provides for quarterly interest 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 Limited has met all the obligations and covenants set by the bank. The facility falls due for repayment on 30 June 2018.

30 June 2016

16 CURRENT LIABILITIES – EMPLOYEE BENEFIT OBLIGATIONS	2016 \$'000	2015 \$'000
Employee benefits – long service leave	679	670
Employee benefits – annual leave	769	752
	1,448	1,422

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the company does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the company does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months:

	2016 \$'000	2015 \$'000
Current leave obligations expected to be settled after 12 months	362	356

17 CURRENT LIABILITIES – CURRENT TAX LIABILITIES

Current tax liabilities	482	–
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18 CURRENT LIABILITIES – OTHER CURRENT LIABILITIES

Rents and other income received in advance	2,647	3,232
Rents and other income billed in advance	6,672	6,549
	9,319	9,781

19 NON-CURRENT LIABILITIES – BORROWINGS

Secured

Non-current commercial bill facility	27,000	–
Total secured non-current borrowings	27,000	–

notes to the financial statements

for the year ended

	2016 \$'000	2015 \$'000	
20 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES			
The balance comprises temporary differences attributable to:			
Tax allowances relating to property, plant and equipment	5,369	5,008	
Prepayments	591	564	
	<u>5,960</u>	<u>5,572</u>	
Set-off of deferred tax liabilities pursuant to set-off provisions (note 13)	(785)	(821)	
Net deferred tax liabilities	<u>5,175</u>	<u>4,751</u>	
	Property, plant and equipment \$'000	Prepayments \$'000	Total \$'000
Movements:			
At 1 July 2014	4,560	365	4,925
Charged/(credited)			
– profit or loss	448	199	647
At 30 June 2015	<u>5,008</u>	<u>564</u>	<u>5,572</u>
At 1 July 2015	5,008	564	5,572
Charged/(credited)			
– profit or loss	361	27	388
At 30 June 2016	<u>5,369</u>	<u>591</u>	<u>5,960</u>
		2016 \$'000	2015 \$'000
Recovery of deferred tax liabilities			
Deferred tax liabilities expected to be recovered within 12 months		591	951
Deferred tax liabilities expected to be recovered after more than 12 months		5,369	4,621
		<u>5,960</u>	<u>5,572</u>
21 NON-CURRENT LIABILITIES – EMPLOYEE BENEFIT OBLIGATIONS			
Employee benefits – long service leave		<u>160</u>	<u>133</u>

30 June 2016

22 CONTRIBUTED EQUITY	2016	2015	2016	2015
	Shares	Shares	\$	\$
(a) Share capital				
Issued capital comprises 6,551 (2015: 6,551) fully paid shares of \$1 each				
Flowers Ordinary Shares	262	262	262	262
Growers Ordinary Shares	738	738	738	738
Retail Markets Ordinary Shares	5,060	5,060	5,060	5,060
Warehouse Ordinary Shares	241	241	241	241
Wholesale Ordinary Shares	250	250	250	250
	6,551	6,551	6,551	6,551

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.

(b) Capital risk management

Sydney Markets Limited 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 Limited 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. Ongoing funding will be provided as long as Sydney Markets Limited continues to comply with the facility agreement. There have been no changes in the strategy adopted by Sydney Markets Limited to manage its capital since the prior year.

	2016	2015
	\$'000	\$'000
Total borrowings	27,000	29,000
Less: cash and cash equivalents	(3,609)	(4,362)
Net debt	23,391	24,638
Total equity	93,954	88,110
Total capital	117,345	112,748
Gearing ratio	20%	22%

notes to the financial statements for the year ended

23 RETAINED EARNINGS	2016 \$'000	2015 \$'000
Movements in retained earnings were as follows:		
Balance 1 July	88,103	82,239
Net profit for the year	5,844	5,864
Balance 30 June	93,947	88,103

24 DIVIDENDS

(a) Franked dividends

The franked portions of any final dividends recommended after 30 June 2016 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2017.

	2016 \$'000	2015 \$'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2015 – 30%)	46,936	46,098

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

- (a) franking credits that will arise from the payment of the amount of the provision for income tax
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

25 RELATED PARTY TRANSACTIONS	2016 \$	2015 \$
(a) Key management personnel compensation		
Short-term employee benefits	1,240,765	1,345,127
Post-employment benefits	203,019	178,675
	1,443,784	1,523,802

Detailed remuneration disclosures are provided in the remuneration report on pages 11 to 14.

(b) Other transactions with key management personnel

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

Amounts recognised as revenue

Total income received or receivable by Sydney Markets Limited from Director-related entities for rents, dues and fees (recognised in revenue from continuing operations)

355,483	388,649
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Amounts recognised as expense

Total expenditure paid or payable by Sydney Markets Limited to Director-related entities for produce, sponsorships and scholarships (recognised in advertising and promotion costs and management and administration costs)

63,166	51,499
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Apart from the matters mentioned above, no Director has entered into a material contract with Sydney Markets Limited during the financial year.

30 June 2016

26 REMUNERATION OF AUDITORS	2016	2015
	\$	\$
(a) PwC		
<i>(i) Audit and other assurance services</i>		
Audit and review of financial statements	155,092	150,775
Other assurance services	9,000	13,596
Total remuneration for audit and other assurance services	164,092	164,371
<i>(ii) Taxation services</i>		
Tax compliance services	21,450	19,890
Total remuneration for taxation services	21,450	19,890
<i>(iii) Other services</i>		
Assistance with financial statements preparation	23,636	22,475
Total remuneration for other services	23,636	22,475
Total remuneration of PwC	209,178	206,736

27 CONTINGENCIES

The company had no contingent liabilities or assets at 30 June 2016.

28 COMMITMENTS	2016	2015
	\$'000	\$'000
(a) Operating commitments		
Operating commitments contracted for but not recognised in the financial statements:		
Payable:		
Less than one year	3,108	3,030
Later than one year but not later than five years	13,036	12,718
Later than five years	86,105	89,486
	102,249	105,234
<p>The above commitments relate to the Paddy's Market Haymarket site pursuant to a 30 year licence from 1 January 2010 until 31 December 2039 to Sydney Markets Limited.</p> <p>The licence lease is for a fixed annual lump sum payment indexed on 1 January each year by annual CPI.</p>		
(b) Capital expenditure commitments		
Commitments in relation to amounts contracted for at the reporting date, but not recognised as liabilities, payable:		
Masterplan Capex-V Car Park Extension		
Less than one year	10,166	—

The above commitment of \$10,165,865 relates to construction of car park extension. The Strathfield Council approved application lodged in October 2014. Board approved Maincon Construction tender of \$16,638,000 in July 2015.

notes to the financial statements for the year ended

29 FINANCIAL RISK MANAGEMENT

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

Sydney Markets Limited 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 Limited 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 Limited manages its funding costs by using derivative financial instruments to reduce exposure created by its variable rate debt. Details relating to Sydney Markets Limited hedging are set out in note 11.

Sydney Markets Limited 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.

As at the end of the reporting period, the company had the following variable rate borrowings and interest rate derivatives outstanding:

	2016 \$'000	2015 \$'000
Commercial bill facility	27,000	29,000
Interest rate derivatives (notional principal amount)	(15,000)	(15,000)
Net exposure to cash flow interest rate risk	12,000	14,000

The loans drawn down under the commercial bill facility bear an average variable interest rate of 3.51% (2015: 4.11%). The cap and the floor of the collars are 6.81% and 3.75% (2015: 6.81% and 3.75%) respectively.

At 30 June 2016, if interest rate had moved, as illustrated in the table below, with all other variables held constant, post-tax profit would have been affected as follows:

	Profit/(loss) +1% (100 basis points)		Profit/(loss) -1% (100 basis points)	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Interest income/(expense)	(189)	(172)	189	172
Valuation of derivatives	193	459	(218)	(280)

30 June 2016

29 FINANCIAL RISK MANAGEMENT (continued)

(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 the majority tenancies (especially warehouse leases and wholesale licences) have inherent market value which Sydney Markets Limited 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 Limited's derivatives have been entered into with a single AAA+ credit rated counterparty.

(c) Liquidity risk

Sydney Markets Limited 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 2016.

	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 2016						
Financial liabilities						
Trade and other payables	(3,102)	–	–	–	(3,102)	(3,102)
Interest bearing loans *	(432)	(432)	(27,864)	–	(28,728)	(27,000)
Interest rate collars	(151)	(151)	(628)	–	(930)	(930)
	(3,685)	(583)	(28,492)	–	(32,760)	(31,032)

Year ended 30 June 2015

Financial liabilities

Trade and other payables	(2,870)	–	–	–	(2,870)	(2,870)
Interest bearing loans *	(494)	(29,494)	–	–	(29,988)	(29,000)
Interest rate collars	(203)	(203)	(694)	–	(1,100)	(1,100)
Total non-derivatives	(3,567)	(29,697)	(694)	–	(33,958)	(32,970)

*These maturities are in line with Sydney Markets Limited's strategy. On 1 July 2015, the facilities were extended until 30 June 2018.

(d) Foreign currency risk and price risk

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

(e) Fair value measurements

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

notes to the financial statements

for the year ended

30 June 2016

30 FAIR VALUE MEASUREMENTS

The company uses interest rate derivatives, which are carried at fair value based on observable market data as there are no prices quoted in an active market for the financial instruments (level 2). The valuation inputs are calculated based on dealer quotes in accordance with industry norms.

The company does not have any financial instruments that are carried at fair value using inputs classified as level 1 or level 3 inputs.

The company also has receivables, payables and borrowings which are not measured at fair value in the balance sheet. The Directors consider the carrying amounts of these financial assets and liabilities approximate their fair value.

31 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 the company, the results of those operations or the state of affairs of the company or economic entity in subsequent financial years.

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

	2016 \$'000	2015 \$'000
Profit for the year	5,844	5,864
Depreciation	3,477	3,546
Net gain on sale of non-current assets	20	17
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	(1,295)	(399)
Decrease (increase) in current tax assets	104	(104)
Increase in deferred tax liabilities	424	699
(Decrease) in trade and other payables	(230)	(689)
(Decrease) in derivative financial instrument	(170)	(301)
Increase (decrease) in provision for income taxes payable	482	(368)
Increase in employee benefit obligations	53	114
Net cash inflow from operating activities	<u>8,709</u>	<u>8,379</u>

Directors' declaration

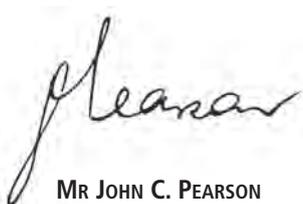
30 June 2016

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 17 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 consolidated entity's financial position as at 30 June 2016 and of its 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.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



MR JOHN C. PEARSON
CHAIRMAN



MR. DAVID J. WHITEMAN
DIRECTOR

Sydney
14 September 2016

Independent Auditor's report

30 June 2016



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 sheet as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 (a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those 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.

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*.

PricewaterhouseCoopers, ABN 52 780 433 757

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Independent Auditor's report

30 June 2016

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

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 financial position as at 30 June 2016 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*.
- (b) the company's financial report also complies with International Financial Reporting Standards as disclosed in Note 1 (a).

Report on the Remuneration Report

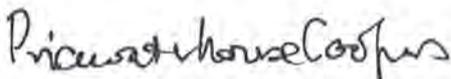
We have audited the remuneration report included in pages 11 to 14 of the directors' report for the year ended 30 June 2016. The Directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

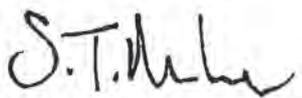
In our opinion, the remuneration report of Sydney Markets Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Sydney Markets Limited (the company) for the year ended 30 June 2016 included on Sydney Markets Limited's website. The company's directors are responsible for the integrity of Sydney Markets Limited's website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this website.



PricewaterhouseCoopers



Shannon Maher
Partner

Sydney
14 September 2016

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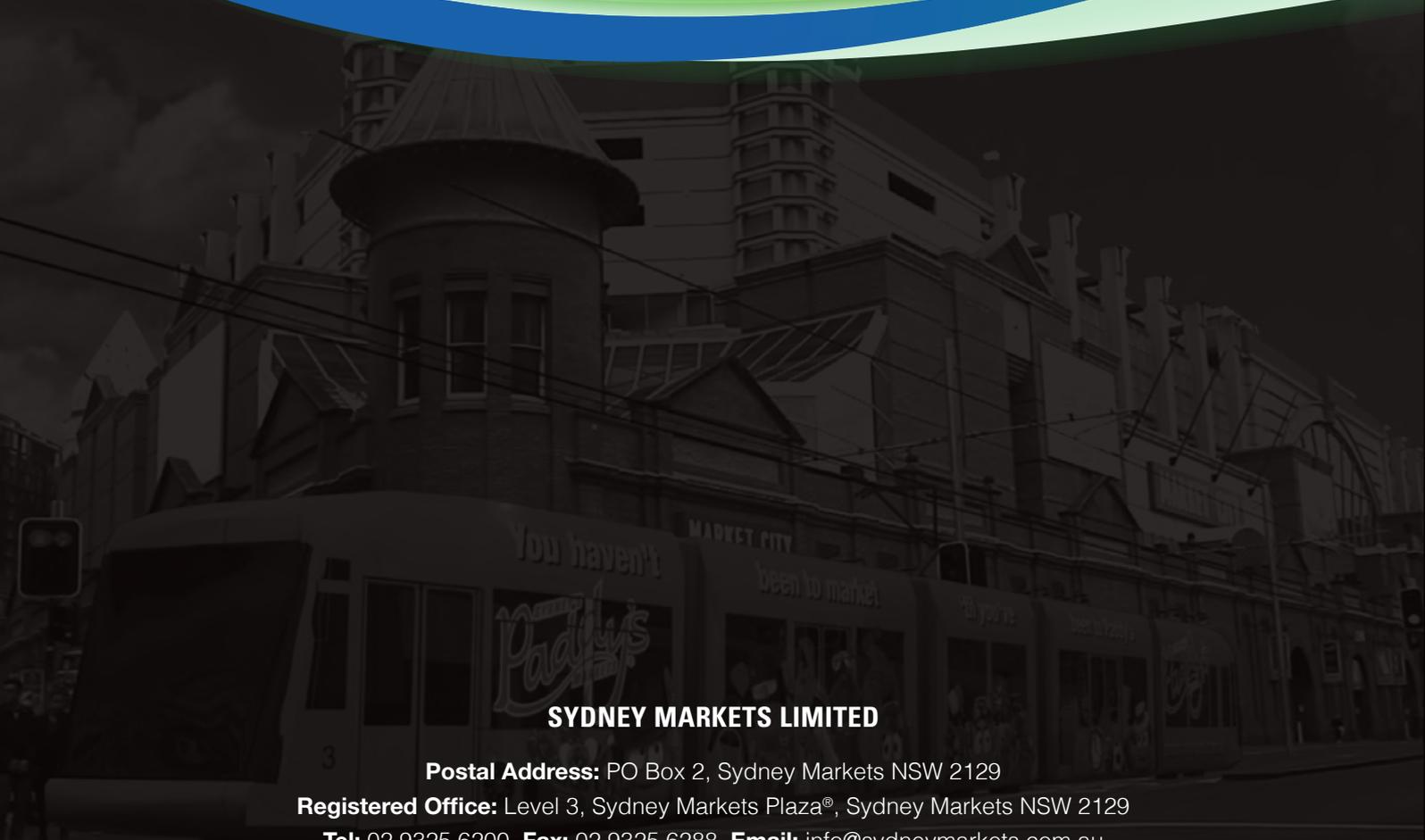
CELEBRATING
40
YEARS

AT FLEMINGTON
1975 - 2015



CELEBRATING
40
YEARS

AT FLEMINGTON
1975 - 2015



SYDNEY MARKETS LIMITED

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