

Annual Report 2012





TENANTS PARKING

STREET

HAMMERSMITH



Plaza Road

North Road

Growers Road



AUSTIN AVE

GROWERS ROAD

Centre Road

Flower Circuit

Flower Circuit

Flower Circuit

Flower Circuit

Flower Circuit

Flower Circuit

Flower Circuit

Flower Circuit

Flower Circuit

Flower Circuit

Flower Circuit

Flower Circuit

Flower Circuit

Flower Circuit

Flower Circuit

Flower Circuit

Flower Circuit

Flower Circuit

BUILDING F

BUILDING F

BUILDING F

BUILDING F

BUILDING F

BUILDING F

BUILDING F

BUILDING F

BUILDING F

BUILDING F

BUILDING F

BUILDING F

BUILDING F

BUILDING F

BUILDING F

BUILDING F

BUILDING F

BUILDING H

BUILDING H

BUILDING H

BUILDING H

BUILDING H

BUILDING H

BUILDING H

BUILDING H

BUILDING H

BUILDING H

BUILDING H

BUILDING H

BUILDING H

BUILDING H

BUILDING H

BUILDING H

BUILDING H

BUILDING J

BUILDING J

BUILDING J

BUILDING J

BUILDING J

BUILDING J

BUILDING J

BUILDING J

BUILDING J

BUILDING J

BUILDING J

BUILDING J

BUILDING J

BUILDING J

BUILDING J

BUILDING J

BUILDING J

BUILDING T

BUILDING T

BUILDING T

BUILDING T

BUILDING T

BUILDING T

BUILDING T

BUILDING T

BUILDING T

BUILDING T

BUILDING T

BUILDING T

BUILDING T

BUILDING T

BUILDING T

BUILDING T

BUILDING T

BUILDING G

BUILDING G

BUILDING G

BUILDING G

BUILDING G

BUILDING G

BUILDING G

BUILDING G

BUILDING G

BUILDING G

BUILDING G

BUILDING G

BUILDING G

BUILDING G

BUILDING G

BUILDING G

BUILDING G

BUILDING Q

BUILDING Q

BUILDING Q

BUILDING Q

BUILDING Q

BUILDING Q

BUILDING Q

BUILDING Q

BUILDING Q

BUILDING Q

BUILDING Q

BUILDING Q

BUILDING Q

BUILDING Q

BUILDING Q

BUILDING Q

BUILDING Q

BUILDING A

BUILDING A

BUILDING A

BUILDING A

BUILDING A

BUILDING A

BUILDING A

BUILDING A

BUILDING A

BUILDING A

BUILDING A

BUILDING A

BUILDING A

BUILDING A

BUILDING A

BUILDING A

BUILDING A

BUILDING B

BUILDING B

BUILDING B

BUILDING B

BUILDING B

BUILDING B

BUILDING B

BUILDING B

BUILDING B

BUILDING B

BUILDING B

BUILDING B

BUILDING B

BUILDING B

BUILDING B

BUILDING B

BUILDING B

BUILDING I

BUILDING I

BUILDING I

BUILDING I

BUILDING I

BUILDING I

BUILDING I

BUILDING I

BUILDING I

BUILDING I

BUILDING I

BUILDING I

BUILDING I

BUILDING I

BUILDING I

BUILDING I

BUILDING I

BANANA MARKET E

BANANA MARKET E

BANANA MARKET E

BANANA MARKET E

BANANA MARKET E

BANANA MARKET E

BANANA MARKET E

BANANA MARKET E

BANANA MARKET E

BANANA MARKET E

BANANA MARKET E

BANANA MARKET E

BANANA MARKET E

BANANA MARKET E

BANANA MARKET E

BANANA MARKET E

BANANA MARKET E

PROVIDORES

PROVIDORES

PROVIDORES

PROVIDORES

PROVIDORES

PROVIDORES

PROVIDORES

PROVIDORES

PROVIDORES

PROVIDORES

PROVIDORES

PROVIDORES

PROVIDORES

PROVIDORES

PROVIDORES

PROVIDORES

PROVIDORES

RAILWAY PARADE

RAILWAY PARADE

RAILWAY PARADE

RAILWAY PARADE

RAILWAY PARADE

RAILWAY PARADE

RAILWAY PARADE

RAILWAY PARADE

RAILWAY PARADE

RAILWAY PARADE

RAILWAY PARADE

RAILWAY PARADE

RAILWAY PARADE

RAILWAY PARADE

RAILWAY PARADE

RAILWAY PARADE

RAILWAY PARADE

CENTENARY DRIVE

CENTENARY DRIVE

CENTENARY DRIVE

CENTENARY DRIVE

CENTENARY DRIVE

CENTENARY DRIVE

CENTENARY DRIVE

CENTENARY DRIVE

CENTENARY DRIVE

CENTENARY DRIVE

CENTENARY DRIVE

CENTENARY DRIVE

CENTENARY DRIVE

CENTENARY DRIVE

CENTENARY DRIVE

CENTENARY DRIVE

CENTENARY DRIVE

MARLBOROUGH ROAD

MARLBOROUGH ROAD

MARLBOROUGH ROAD

MARLBOROUGH ROAD

MARLBOROUGH ROAD

MARLBOROUGH ROAD

MARLBOROUGH ROAD

MARLBOROUGH ROAD

MARLBOROUGH ROAD

MARLBOROUGH ROAD

MARLBOROUGH ROAD

MARLBOROUGH ROAD

MARLBOROUGH ROAD

MARLBOROUGH ROAD

MARLBOROUGH ROAD

MARLBOROUGH ROAD

MARLBOROUGH ROAD

CIRCULATING ROAD

CIRCULATING ROAD

CIRCULATING ROAD

CIRCULATING ROAD

CIRCULATING ROAD

CIRCULATING ROAD

CIRCULATING ROAD

CIRCULATING ROAD

CIRCULATING ROAD

CIRCULATING ROAD

CIRCULATING ROAD

CIRCULATING ROAD

CIRCULATING ROAD

CIRCULATING ROAD

CIRCULATING ROAD

CIRCULATING ROAD

CIRCULATING ROAD

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA

FLORIDA





## BOARD OF DIRECTORS AS AT 30 JUNE 2012



JOHN PEARSON  
Chairman of the Board



COLIN GRAY  
Expertise Director



BILL LYNCH  
Expertise Director



DAVID HYNES  
Independent Director



WILLIAM LEE  
Nominee Director  
Growers Market



DAVID WHITEMAN  
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  
Head of Operations



GERRY DARAS  
Head of Special Projects



MICHAEL GOLDEN  
Chief Financial Officer/  
Company Secretary



MARTIN FORSTER  
Head of Site Services

# annual report

# contents

## 30th June 2012

**SYDNEY MARKETS LIMITED**  
**ABN 51 077 119 290**  
**ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012**

	<b>PAGE</b>
Joint message from the Chairman & Chief Executive Officer	2
Marketing report	5
Directors' report	6
Financial report	16
Directors' declaration	45
Independent auditor's report to the members	46

# joint message from the Chairman & CEO

## JOINT MESSAGE FROM THE CHAIRMAN & CHIEF EXECUTIVE OFFICER

We are very pleased to present the 2011/2012 Sydney Markets Limited Annual Report.

The past 12 months has been one of financial uncertainty throughout Australia. Whilst the economy is strong and interest rates for housing loans have reduced, consumers have been hesitant to spend. Uncertainty around the Carbon Tax and its cost and effect on business has contributed to this hesitancy. The reduction in spending has been felt by many retail businesses and include fruit and vegetable stores, restaurants and caterers.

The increase in costs of running business by our tenants has been acknowledged by the Sydney Markets Limited Board, with the decision made not to increase rents, dues and fees for tenants for 2012/2013.

In a further effort to assist, the Board agreed not to pass on increases in Electricity tariffs to tenants for a period of 6 months from 1 July 2012. An increase in tariffs was anticipated with the introduction of the Carbon Tax and that has happened. Sydney Markets Limited is currently absorbing that increase and is working on a number of energy saving initiatives to help tenants lower their energy costs and consumption.

Sydney Markets Limited has reported a strong and successful 12 months. The financials and other related activities follow but at the time of writing we have 100% Occupancy in our Wholesalers' Stands/Modules, 100% Occupancy in Warehouses, almost 100% in Growers' Market Stands and Flower Markets Stands. The Retail Markets also have strong occupancy rates.

## FINANCIALS

The 2011/2012 Financial Year has resulted in another strong financial performance for Sydney Markets Limited, despite the global economic conditions.

- The Directors consider that the theoretical valuation (loss)/gain on derivative financial instruments is not a core operating or cash transaction and is unusual due to its size and nature. Accordingly the Directors have disclosed "Operating profit before theoretical (loss)/gain on derivatives" to assist users to better understand the financial performance of Sydney Markets' core operations. Profit before theoretical valuation (loss) / gain on derivatives and income tax was \$8.9 million.
- Profit after tax before theoretical valuation (loss) / gain on derivatives of \$6.2 million.
- Operating revenue for the year increased by 3.8% compared to last year. The increase was attributable to continued strong market occupancy levels and higher utilities income.
- Total expenses (excluding theoretical valuation loss on derivatives) were up by 4.8% during the year. This was due to higher waste removal costs due to inclement weather conditions and increase in electricity costs.
- The total capital expenditure for the year was \$2.3 million. This was driven by the purchase of a property in Smallwood Avenue, construction of forklift enclosures and infrastructure upgrades.
- The Sydney Markets Limited Board's continued commitment to reducing debt has seen borrowings for the purchase of the Sydney Markets site reduce from \$45.0 million at 1 July 2011 to \$38.5 million at 1 July 2012.

## HIGHLIGHTS

- Part of the Sydney Markets Limited branding process involved taking our Board meeting to the Food Basket of the Central West, Orange New South Wales during February 2012. This was an opportune time to present to Industry Associations, Growers and Packing Sheds the benefits of the Central Markets System. It also provided the forum to hear the views of growers within this region and gain a better understanding of the overall supply chain.
- During the year, Sydney Markets Limited conducted an audit of produce that is unloaded on the Sydney Markets site. The audit highlighted the fact that whilst the majority of product received from Growers was consigned through a Sydney Markets Wholesaler, there was a growing percentage that was bypassing the Central Markets System.

This practice is at odds with the concept of the Central Markets System. It had a detrimental effect on the Market and it was agreed it should cease in order to maintain a strong and vibrant Central Market System.

# joint message from the Chairman & CEO

As a result of the findings the Board of Sydney Markets Limited agreed:

1. The practice of using the Sydney Markets site for transshipping product was to cease immediately and all product being delivered to Sydney Markets must be consigned through a Sydney Markets Wholesaler.
2. From early 2012 product arriving at Sydney Markets that continued to bypass Sydney Markets Wholesalers would attract a facility usage charge of \$200 per pallet, or part thereof. The fee is to be met by the transport company delivering the product.
3. The transshipping of product to Sydney Markets has decreased significantly due to this action. Our thanks to the transport companies for their co-operation. Many have advised this action has assisted them in organising their deliveries.

This decision was made for the overall benefit of the Central Markets System.

- At the 2011 World Union of Wholesale Markets Conference, held in Shenzhen China, Sydney Markets Limited was presented with a Merit Award for our submission on the theme of "Excellence in Developing Links between the Market and Local Producers". The submission outlined how Sydney Markets provides producers with an environment that supports competitive trade and effective distribution, maximising time efficiencies and minimising costs. During the conference, Sydney Markets was invited to present on our Environmental portfolio, which was extremely well received by over 700 delegates.
- Sydney Markets Customer Records Management System was introduced during the reporting period. The system has improved the communication path with our stakeholders. This has enabled Sydney Markets to improve communication using digital technology to include SMS and email on a regular basis to deliver important information to stakeholders.

The Strategic Plan that formalises the company's direction for the period 2010 to 2015 and Master Plan process have progressed extremely well during the reporting period. Some of the achievements are outlined below:

- 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.
- Forklift enclosures were constructed along North Road for Building D Growers with more earmarked for construction.
- Plans are in place to consider construction and installation of an industrial passenger lift in the car park at the eastern end of the Market site. This could provide convenient access for customers and shopping trolleys to the underutilised sections of the car park.
- A refurbishment of the Paddy's Haymarket seafood area is planned to commence during 2012.
- Our Local Environmental Plan submission is currently under consideration by Strathfield Council. It is expected the Department of Planning will ratify Councils recommendation in the latter half of 2012.
- Sydney Markets Limited recently received an Award for the United Nations of Australia Association (UNAA) World Environment Day Awards. These Awards recognise innovative and outstanding environmental programs and initiatives from across Australia and the important work of Australian environmental leaders. Sydney Markets Limited received second place nationally in this prestigious and highly competitive Environmental category and received a "Special Commendation Award" in the category of Sustainability Leadership – Small to Medium Organisations.
- Sydney Markets Limited has been successful in reaching the "Silver Award" category in the Sustainability Advantage programme with the NSW Office of Environment and Heritage.

Sydney Markets Limited has been a Bronze Partner in this programme since 2009 and has progressively improved its environmental performance to advance to the next level.

The criteria for "Silver" status included the following stringent requirements:

- Active participation with the Sustainability Advantage programme
- Leadership and commitment
- Planning and management systems
- Engagement
- Achievement

*Continued > > >*

# joint message from the Chairman & CEO

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

- Sydney Markets Limited's environmental sustainability record has continued to improve during the reporting period which is highlighted by the fact that 60% of the total waste at the Flemington and Paddy's Haymarket site is recycled. Sydney Markets Limited has introduced waste management seminars for tenants to further improve recycling.

### Other news:

- In June 2012, Mr Mario Messina was elected as Nominee Director in the Retail Markets Category to commence duties in July 2012. We congratulate Mr Messina on his appointment.

We also thank previous Retail Markets Category Director, Mr Neil Mathews who has retired from the Board of Sydney Markets Limited. He was appointed to the Board in July 1998 and served continuously for 14 years with passion and dedication to all shareholders.

- The Sydney Markets annual Mango Auction, Cherry Auction and Race Day raised a combined total of \$204,000 for the Sydney Markets Foundation. The funds raised assisted the Westmead's Children's Hospital, the Prostate Cancer Foundation of Australia and Save Our Sons. Congratulations must go to the Markets community on this outstanding achievement.
- Continued Industry participation is highlighted by Sydney Markets Limited's attendance at the PMA, Ausveg, Australian Banana and Australian Chamber/PMA Conferences.

### Vale Filipe Hehea

- A fatal accident claimed the life of forklift driver Mr Filipe Hehea in the early hours of Tuesday 26 June 2012. Filipe was a proud family man and was well respected in the Markets. His death touched the Sydney Markets community and all of the Central Markets operators nationally. The Sydney Markets community rallied to raise over \$20,000 in addition to the generous support from our interstate colleagues.

The Sydney Markets Foundation contributed \$10,000 and is assisting the distribution of funds to the family. Filipe will be sadly missed.

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 the Council of Market Representatives, the Fresh for Kids Committee and the Paddy's Advisory Committee.

All financial indicators show Sydney Markets Limited can look forward to another strong performance for the 2012/2013 year.



**MR BRADLEY LATHAM**  
CHIEF EXECUTIVE OFFICER



**MR JOHN PEARSON**  
CHAIRMAN

# marketing report

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

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

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

## FRESH FOR KIDS

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

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

- The F&V Gang® – a lovable group of 6 life-sized fruit and vegetable characters being Summa Strawberry®, Captain Capsicum®, Megabite Apple®, Oscar Orange®, Bazza Banana® and Tamara Tomato®
- [www.freshforkids.com.au](http://www.freshforkids.com.au) website
- A major sponsorship of the School Sports Foundation
- A Canteen Program that encourages children to make healthy choices
- A Retail Program that supports independent retailers of fresh fruit and vegetables
- A quarterly Canteen Fresh brochure that provides inspiration and demonstrates that fruit and vegetables can be easy to prepare

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

## GREENGROECER OF THE YEAR

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

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

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

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

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

## FLORIST OF THE YEAR

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

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

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

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



# Directors' report

Your Directors present their report on Sydney Markets Limited (the company) for the year ended 30 June 2012.

## DIRECTORS

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

Mr John C. Pearson	Chairman
Mr Colin H. Gray	Deputy Chairman up to 17 August 2011
Mr David J. Whiteman	
Mr William L. Lynch	Deputy Chairman from 15 August 2012
Mr Neil W. Mathews	Up to 13 June 2012
Mr Cosimo Cremona	Up to 13 July 2011
Mr William E. McMahon	Up to 24 August 2011 (deceased)
Mr David W. Hynes	Deputy Chairman from 17 August 2011 to 15 August 2012
Mr Alvisio (John) Olivieri	
Mr Shaun M. McInerney	From 13 July 2011
Mr William W. Lee	From 26 October 2011
Mr Mario J. Messina	From 18 July 2012

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.

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

## REVIEW OF OPERATIONS

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

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of Sydney Markets Limited 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 2012 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.

# Directors' 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 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 2012.

## INFORMATION ON DIRECTORS

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

- Experience and expertise:
- Board Member since 2003
  - Chairman since 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 Balmain Leagues Club
  - Director of Tigers Advisory Group Pty Ltd
  - Director of R.P. Cricket Pty Ltd – T/A Randwick Petersham Foundation
- SML Committees:
- Finance and Audit, Remuneration, Master Plan, Retail Markets Sub Committee
- Interests in shares:
- Nil

### Mr David J. Whiteman – Non-Executive Nominee Director – Warehouses

- Qualifications:
- BA (Macquarie University) majoring in Economics & Financial Studies
- Experience and expertise:
- Deputy Chairman from 23 July 2009 to 25 August 2010, Board Member since 2004
  - Over 44 years experience in the fruit and vegetable industry
- Other current directorships:
- Director of C J Lewis Pty Ltd
  - Director of C J Lewis Aust Pty Ltd
  - Director of Mount View (Batlow) Pty Ltd
  - Director of Davic Investments Pty Ltd
  - Director of Chamber (Holdings) Pty Ltd
  - Director of NSW Chamber (Services) Pty Ltd
  - Vice President, The NSW Chamber of Fruit and Vegetable Industries Inc.
  - Vice President, The Australian Chamber of Fruit and Vegetable Industries Ltd
- SML Committees:
- Chairman, Environment Management
- Interests in shares:
- Nil

# Directors' report

## Mr Colin H. Gray

– **Non-Executive Expertise Director, Deputy Chairman from 25 August 2010 to 17 August 2011**

### Qualifications:

- Graduate, Australian Army Command and Staff College (psc)
- Fellow, CPA Australia (FCPA)
- Associate Fellow, Australian Institute of Management (AFAIM)
- Associate Fellow, Australian Society of Association Executives (AFSAE)
- Member, Australian Institute of Company Directors (MAICD)
- Member, Australian Institute of Training and Development (MAITD)

### Experience and expertise:

- Founding Director and Board Member since 1997
- Deputy Chairman 2002-03 and 2010-11
- Past Chairman, Sydney Markets Industries Group
- Executive Director, The Australian Chamber of Fruit and Vegetable Industries Ltd 1999-2009
- Appointed to several Government and Industry Committees
- Worked as an accountant in private industry
- More than 20 years service with the Australian Army and then with the Army Reserve in command, training, facilities management and operational appointments in Australia, in South East Asia and Europe and with the United Nations in the Middle East. Achieved the rank of Lieutenant Colonel
- Over 18 years experience in Sydney Markets as CEO Freshmark, The NSW Chamber of Fruit and Vegetables Industries Inc.

### Other current directorships:

- Secretary, Chamber (Holdings) Pty Ltd
- Secretary, NSW Chamber (Services) Pty Ltd
- Secretary, Sydney Markets Foundation Inc.

### SML Committees:

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

### Interests in shares:

- Nil

## Mr William L. Lynch

– **Non-Executive Expertise Director, Deputy Chairman from 15 August 2012**

### Experience and expertise:

- Board Member since 1998
- Over 54 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

### SML Committees:

- Remuneration, Finance and Audit Committee

### Interests in shares:

- 6 Flower Market Ordinary Shares



# Directors' report

## Mr Neil W. Mathews

### Qualifications:

### – Non-Executive Nominee Director – Retail Markets

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

### Experience and expertise:

- Board Member from 1 July 1998 to 13 June 2012
- Deputy Chairman from 23 July 2008 to 23 July 2009
- Foundation Committee original Paddy's Association
- Representative, Paddy's Advisory Committee
- Past Representative, Sydney Markets Industries Group
- Co-founder, Bessemer Party Plan
- Co-founder, Supreme Industries Pty Ltd
- Past General Manager, Raco-Bissell
- Past Product Manager, Rex Aluminium

### Other current directorships:

- Nil

### SML Committees:

- Environment Management, Master Plan, Retail Markets Sub Committee

### Interests in shares:

- Nil

## Mr David W. Hynes

### Qualifications:

### – Non-Executive Independent Director, Deputy Chairman from 17 August 2011 to 15 August 2012

- B.Ec / LL.B (Sydney Uni)

### Experience and expertise:

- Deputy Chairman from 17 August 2011 to 15 August 2012, Board Member since 2005

### 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 William E. McMahon

### Experience and expertise:

### – Non-Executive Nominee Director – Growers Market

- Board Member from 1 July 1998 to 24 August 2011 (deceased)
- Over 52 years experience as a fruit and vegetable grower
- A lifetime's experience as an industry representative at executive level on grower organisations

### Other current directorships:

- Secretary, NSW Free Growers Horticultural Council
- Secretary, Lower Nepean / Hawkesbury Water Users Association
- Member, Coastal Valleys Customer Service Committee of State Water
- Past Member, Sydney Markets Industries Group.

### SML Committees:

- Nil

### Interests in shares:

- Nil

## Mr Cosimo Cremona

### Experience and expertise:

### – Non-Executive Nominee Director – Wholesale

- Board Member from 24 July 2002 to 13 July 2011
- Over 32 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

# Directors' report

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

- Experience and expertise:
- Board Member since July 2008
  - Over 33 years involvement in the cut flower industry
  - Former Vice President of NSW Flower Growers Association
  - Associate Member, The NSW Chamber of Fruit and Vegetable Industries Inc.
- Other current directorships:
- Director of A & L Property Developments Pty Ltd.
- SML Committees:
- Nil
- Interests in shares:
- 4 Flower Market Ordinary Shares

## **Mr Shaun M. McInerney – Non-Executive Nominee Director – Wholesale**

- Experience and expertise:
- Board Member since July 2011
  - Over 30 years experience in the fruit and vegetable industry
- Other current directorships:
- Director Fresh Fellas Pty Limited
- SML committees:
- Environment Management
- Interests in shares:
- 6 Retail Markets Ordinary Shares, 2 Wholesale Market Ordinary Shares, 1 Warehouse Ordinary Share and 1 Growers Market Ordinary Share

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

- Experience and expertise:
- Board Member since 26 October 2011
  - Over 51 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 Mario J. Messina – Non-Executive Nominee Director – Retail Markets**

- Qualifications:
- Diploma – Marketing
- Experience and expertise:
- Board Member since 18 July 2012
  - Over 25 years experience at Sydney Markets
  - Representative, Paddy's Advisory Committee
- Other current directorships:
- Nil
- SML committees:
- Environment Management
- 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 12 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 2012 and Directors' attendances at these meetings were as follows:

	Full meetings of Directors		Finance & audit committee meetings	
	A	B	A	B
Mr John C. Pearson	12	12	7	7
Mr Colin H. Gray	12	11	7	7
Mr William L. Lynch	12	10	7	7
Mr Cosimo Cremona	0	0	0	0
Mr William E. McMahon	2	2	0	0
Mr Neil W. Mathews	11	11	0	0
Mr David J. Whiteman	12	12	0	0
Mr Alvisio (John) Olivieri	12	12	0	0
Mr David W. Hynes	12	11	0	0
Mr Shaun M. McInerney	12	12	0	0
Mr William W. Lee	8	8	0	0

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

## OPTIONS

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

## DIRECTORS AND OFFICERS REMUNERATION

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

- (a) Directors' and Officers' fees and remuneration as shown in Sydney Markets Limited's remuneration report below (Part B).
- (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 24).

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

- A Principles used to determine the nature and amount of remuneration
- B 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 Gerry Daras	Head of Special Projects
Mr Michael W. Golden	Chief Financial Officer / Company Secretary
Mr Shane R. Chester	Head of Operations
Mr Martin J. Forster	Head of Site Services



# Directors' report

## 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 2012 year was \$443,000 (2011: \$430,000) 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*) who are also the five highest paid executives of Sydney Markets Limited, 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.

### **Key management personnel of the Group**

**2012**

Name	Cash salary and fees \$	Cash bonus \$	Non monetary benefits \$	Super- annuation \$	Total \$	Performance related %
<b>Directors</b>						
Mr John C. Pearson	99,903	—	—	8,872	108,775	N/A
Mr Colin H. Gray	25,173	—	1,200	15,409	41,782	N/A
Mr Neil W. Matthews	40,582	—	1,200	—	41,782	N/A
Mr William L. Lynch	37,173	—	1,200	3,409	41,782	N/A
Mr David J. Whiteman	37,173	—	1,200	3,409	41,782	N/A
Mr William E. McMahon	6,555	—	200	—	6,755	N/A
Mr Cosimo Cremona	—	—	—	—	—	N/A
Mr Alvisio (John) Olivieri	37,173	—	1,200	3,409	41,782	N/A
Mr David W. Hynes	37,173	—	1,200	3,409	41,782	N/A
Mr Shaun M. McInerney	37,173	—	1,200	3,409	41,782	N/A
Mr William W. Lee	27,880	—	900	2,572	31,352	N/A
<b>Total</b>	<b>385,958</b>	<b>—</b>	<b>9,500</b>	<b>43,898</b>	<b>439,356</b>	

# Directors' report

## Key management personnel of the Group (continued) 2012

Name	Cash salary and fees \$	Cash bonus \$	Non monetary benefits \$	Super- annuation \$	Total \$	Performance related %
<i>Other key management personnel</i>						
Mr Bradley R. Latham	269,809	10,000	14,034	26,271	320,114	3.1%
Mr Gerry Daras	81,589	5,000	33,397	50,303	170,289	2.9%
Mr Michael W. Golden	143,059	5,000	—	13,325	161,384	3.1%
Mr Shane R. Chester	104,565	5,000	21,030	9,861	140,456	3.6%
Mr Martin J. Forster	111,396	5,000	—	22,899	139,295	3.6%
<b>Total</b>	<b>1,096,376</b>	<b>30,000</b>	<b>77,961</b>	<b>166,557</b>	<b>1,370,894</b>	

## Key management personnel of the Group 2011

Name	Cash salary and fees \$	Cash bonus \$	Non monetary benefits \$	Super- annuation \$	Total \$	Performance related %
<b>Directors</b>						
Mr John C. Pearson	95,352	—	1,360	8,704	105,416	N/A
Mr Colin H. Gray	23,987	—	1,200	15,346	40,533	N/A
Mr Neil W. Matthews	39,335	—	1,200	-	40,535	N/A
Mr William L. Lynch	35,986	—	1,200	3,347	40,533	N/A
Mr David J. Whiteman	35,986	—	1,200	3,347	40,533	N/A
Mr William E. McMahon	39,335	—	1,200	-	40,535	N/A
Mr Cosimo Cremona	35,986	—	1,200	3,347	40,533	N/A
Mr Alvisio (John) Olivieri	35,986	—	1,200	3,347	40,533	N/A
Mr David W. Hynes	35,986	—	1,200	3,347	40,533	N/A
<b>Total</b>	<b>377,939</b>	<b>—</b>	<b>10,960</b>	<b>40,785</b>	<b>429,684</b>	
<i>Other key management personnel</i>						
Mr Bradley R. Latham	262,321	10,000	17,186	25,686	315,193	3.2%
Mr Gerry Daras	100,813	5,000	17,362	32,281	155,456	3.2%
Mr Michael W. Golden	130,038	5,000	—	13,211	148,249	3.4%
Mr Shane R. Chester	98,191	5,000	18,834	9,339	131,364	3.8%
Mr Martin J. Forster	101,949	5,000	—	22,569	129,518	3.9%
<b>Total</b>	<b>1,071,251</b>	<b>30,000</b>	<b>64,342</b>	<b>143,871</b>	<b>1,309,464</b>	

# 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 15.

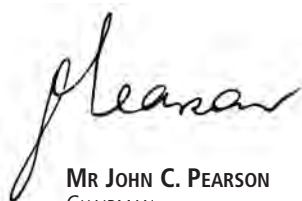
## ROUNDING OF AMOUNTS

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

## AUDITOR

PwC continues in office in accordance with section 327 of the *Corporations Act 2001*.

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



MR JOHN C. PEARSON  
CHAIRMAN



MR COLIN H. GRAY  
DIRECTOR

Sydney  
27 September 2012



# auditor's independence declaration

## Directors' report



### Auditor's Independence Declaration

As lead auditor for the audit of Sydney Markets Limited for the year ended 30 June 2012, 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 J Bourke'.

S J Bourke  
Partner  
PricewaterhouseCoopers

Sydney  
27 September 2012

---

#### **PricewaterhouseCoopers, ABN 52 780 433 757**

Darling Park Tower 2, 201 Sussex Street, SYDNEY NSW 2000, GPO BOX 2650, SYDNEY NSW 1171  
DX 77 Sydney, Australia  
Telephone +61 2 8266 0000 Facsimile +61 2 8266 9999 [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation

# financial report

# contents

## 30th June 2012

**SYDNEY MARKETS LIMITED**  
**ABN 51 077 119 290**  
**ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012**

	<b>PAGE</b>
Financial statements	
Statement of comprehensive income	17
Balance sheet	18
Statement of changes in equity	19
Statement of cash flows	20
Notes to the financial statements	21
Directors' declaration	45
Independent auditor's report to the members	46

These financial statements cover 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 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 6 to 15, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 27 September 2012. The Directors have the power to amend and reissue the financial statements.

# statement of comprehensive income

## for the year ended

### 30th June 2012

	Notes	2012 \$'000	2011 \$'000
Revenue from continuing operations	4	56,425	54,379
Other income	5	11	–
Property cost		(22,549)	(20,274)
Payroll cost		(5,287)	(5,071)
Repairs and maintenance		(4,554)	(4,754)
Management and administration cost		(814)	(825)
Advertising and promotion		(4,262)	(4,287)
Professional fees		(2,007)	(2,007)
Depreciation and amortisation expense	6	(5,103)	(5,073)
Finance expenses	6	(3,000)	(3,110)
Total expenses from continuing operations		(47,576)	(45,401)
Theoretical valuation (loss)/gain on derivatives		(940)	–
<b>Profit before income tax</b>		<b>7,920</b>	<b>8,978</b>
Income tax expense	7	(2,349)	(2,717)
<b>Profit for the year</b>		<b>5,571</b>	<b>6,261</b>
<b>Other comprehensive income</b>			
Cashflow hedges	22(a)	–	580
Income tax relating to components of other comprehensive income	22(a)	–	(174)
<b>Other comprehensive income for the year</b>		<b>–</b>	<b>406</b>
<b>Total comprehensive income for the year</b>		<b>5,571</b>	<b>6,667</b>

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



# balance sheet

## as at

### 30th June 2012

	Notes	2012 \$'000	2011 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	425	2,047
Trade and other receivables	9	10,951	9,404
Total current assets		11,376	11,451
<b>Non-current assets</b>			
Property, plant and equipment	11	113,266	116,111
Total non-current assets		113,266	116,111
<b>Total assets</b>		<b>124,642</b>	<b>127,562</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	13	3,505	5,117
Borrowings	17	—	7,500
Derivative financial instruments	10	806	612
Current tax liabilities	15	367	111
Provisions	14	453	466
Other current liabilities	16	12,064	13,377
Total current liabilities		17,195	27,183
<b>Non-current liabilities</b>			
Borrowings	18	38,500	37,500
Deferred tax liabilities	19	2,093	2,378
Provisions	20	110	74
Derivative financial instruments	10	2,015	1,269
Total non-current liabilities		42,718	41,221
<b>Total liabilities</b>		<b>59,913</b>	<b>68,404</b>
<b>Net assets</b>		<b>64,729</b>	<b>59,158</b>
<b>EQUITY</b>			
Contributed equity	21	7	7
Reserves	22(a)	370	370
Retained earnings	22(b)	64,352	58,781
<b>Total equity</b>		<b>64,729</b>	<b>59,158</b>

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

# statement of changes in equity

## for the year ended

### 30th June 2012

	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
<b>Balance at 1 July 2010</b>	<b>7</b>	<b>(36)</b>	<b>52,520</b>	<b>52,491</b>
Profit for the year	-	-	6,261	6,261
Other comprehensive income	-	406	-	406
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>406</b>	<b>6,261</b>	<b>6,667</b>
<b>Balance at 30 June 2011</b>	<b>7</b>	<b>370</b>	<b>58,781</b>	<b>59,158</b>
<b>Balance at 1 July 2011</b>	<b>7</b>	<b>370</b>	<b>58,781</b>	<b>59,158</b>
Profit for the year	-	-	5,571	5,571
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>5,571</b>	<b>5,571</b>
<b>Balance at 30 June 2012</b>	<b>7</b>	<b>370</b>	<b>64,352</b>	<b>64,729</b>

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

# statement of cash flows

## for the year ended

### 30th June 2012

	Notes	2012 \$'000	2011 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from tenants and customers		59,072	59,420
Cash payments to suppliers and employees		(46,647)	(43,317)
		12,425	16,103
Interest received		66	161
Interest paid		(3,000)	(3,029)
Income taxes paid		(2,378)	(3,163)
<b>Net cash inflow from operating activities</b>	30	7,113	10,072
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(2,308)	(10,622)
Proceeds from sale of property, plant and equipment		73	57
<b>Net cash (outflow) from investing activities</b>		(2,235)	(10,565)
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(6,500)	(2,500)
<b>Net cash (outflow) from financing activities</b>		(6,500)	(2,500)
<b>Net increase (decrease) in cash and cash equivalents</b>		(1,622)	(2,993)
Cash and cash equivalents at the beginning of the financial year		2,047	5,040
<b>Cash and cash equivalents at end of year</b>	8	425	2,047

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

# notes to the financial statements

## contents

### 30th June 2012

	PAGE
1 Summary of significant accounting policies	22
2 Critical accounting estimates and judgements	28
3 Segment reporting	28
4 Revenue	28
5 Other income	28
6 Expenses	29
7 Income tax expense	29
8 Current assets – Cash and cash equivalents	30
9 Current assets – Trade and other receivables	30
10 Derivative financial instruments	31
11 Non-current assets – Property, plant and equipment	32
12 Non-current assets – Deferred tax assets	33
13 Current liabilities – Trade and other payables	34
14 Current liabilities – Provisions	34
15 Current liabilities – Current tax liabilities	34
16 Current liabilities – Other current liabilities	34
17 Current liabilities – Borrowings	34
18 Non-current liabilities – Borrowings	35
19 Non-current liabilities – Deferred tax liabilities	36
20 Non-current liabilities – Provisions	36
21 Contributed equity	37
22 Reserves and retained earnings	38
23 Franking credits	38
24 Key management personnel compensation	39
25 Remuneration of auditors	40
26 Contingencies	40
27 Commitments	41
28 Financial risk management	42
29 Events occurring after the reporting period	44
30 Reconciliation of profit after income tax to net cash inflow from operating activities	44



# notes to the financial statements for the year ended

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

#### *(ii) Early adoption of standards*

The company has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

#### *(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 in Australia 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.

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

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 company 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.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Income tax (continued)

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

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 of other assets, other than motor vehicles, is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives. Motor vehicles are depreciated on a diminishing basis commencing from the date of acquisition. The depreciation rates used for each class of property, plant and equipment are:

	Depreciation rate	Depreciation method
Buildings	2.5%	Straight-line
Plant and machinery	15%	Straight-line
Fixtures, fittings and equipment	15%	Straight-line
Motor vehicles	22.5%	Diminishing value
Leasehold improvements	2.5%	Straight-line

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

Gains and losses on disposals are determined by comparing 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, inclusive of any up front incentives received or paid, is recognised as income on a straight-line basis over the lease term.

# notes to the financial statements for the year ended

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Financial instruments

#### *Recognition and initial measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the 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 these derivatives as hedging instruments. 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 fair values of various derivative financial instruments used for hedging purposes are disclosed in note 10. Movements in the hedging reserve in shareholders' equity are shown in note 22.

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 is 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.

## 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 asset, Sydney Markets Limited estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### (h) Employee benefits

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

### (i) Provisions

Provisions are recognised when Sydney Markets 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) Revenue recognition

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

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

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

### (l) Trade and other receivables

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

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.



# notes to the financial statements

## for the year ended

### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (m) 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.

#### (n) 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 removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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.

#### (o) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

#### (p) Contributed equity

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

#### (q) 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.

#### (r) 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.

#### (s) Rounding of amounts

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

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The company's assessment of the impact of these new standards and interpretations that are relevant to it are set out below.

- (i) *AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Sydney Markets Limited is publicly accountable and is therefore a Tier One entity as defined in AASB 1053. As a consequence, the two standards will have no impact on the financial statements of the entity.

- (ii) *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The company does not use fair value measurements extensively. It is therefore unlikely that the new rules will have a significant impact on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The company does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

- (iii) *AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* (effective 1 July 2012)

In September 2011, the AASB made an amendment to AASB 101 *Presentation of Financial Statements* which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. It will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The company intends to adopt the new standard from 1 July 2012.

- (iv) *AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The *Corporations Act* requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

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 entity and that are believed to be reasonable under the circumstances.

### (a) Key Estimates & 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 REPORTING

Sydney Markets Limited manages and administers the operations of the largest central produce and retail markets in Australia. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the business, has 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	2012 \$'000	2011 \$'000
	<b>From continuing operations</b>		
	Rents	22,299	21,300
	Dues and fees	19,199	18,658
	Other operating revenue	10,635	9,857
	Advertising and promotions	3,362	3,200
	Consideration on transfer of licences and leases	750	992
	Interest revenue	66	161
	Other revenue	114	211
		<b>56,425</b>	<b>54,379</b>
5	<b>OTHER INCOME</b>		
	Net gain on disposal of property, plant and equipment	<b>11</b>	—

# 30th June 2012

<b>6 EXPENSES</b>	<b>2012 \$'000</b>	<b>2011 \$'000</b>
<b>Profit before income tax includes the following specific expenses:</b>		
<i>Depreciation</i>		
Buildings	<b>1,724</b>	1,654
Plant and equipment	<b>3,222</b>	3,357
Leasehold improvements	<b>157</b>	62
Total depreciation	<b>5,103</b>	5,073
<i>Finance costs</i>		
Interest and finance charges paid to external parties	<b>3,000</b>	3,110
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	<b>2,773</b>	2,702
<i>Net loss on disposal of property, plant &amp; equipment</i>	<b>–</b>	17
<b>7 INCOME TAX EXPENSE</b>		
<b>(a) Income tax expense</b>		
Current tax – current year	<b>2819</b>	2,978
Current tax – prior year	<b>(185)</b>	215
Deferred tax	<b>(443)</b>	(476)
Deferred tax – prior year	<b>158</b>	–
	<b>2,349</b>	2,717
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease in deferred tax assets (note 12)	<b>(176)</b>	267
(Decrease) in deferred tax liabilities (note 19)	<b>(109)</b>	(743)
	<b>(285)</b>	(476)
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit from continuing operations before income tax expense	<b>7,920</b>	8,978
Tax at the Australian tax rate of 30% (2011 – 30%)	<b>2,375</b>	2,693
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
– Adjustment for (over)/under provision of tax in prior year	<b>(27)</b>	(6)
– Sundry items	<b>1</b>	30
Total income tax expense	<b>2,349</b>	2,717
<b>(c) Tax expense/(income) relating to items of other comprehensive income</b>		
Cash flow hedges (notes 12 and 22(a))	<b>–</b>	174



# notes to the financial statements

## for the year ended

	2012 \$'000	2011 \$'000
<b>8 CURRENT ASSETS – CASH AND CASH EQUIVALENTS</b>		
Cash at bank and in hand	425	2,047

### 9 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Trade receivables	4,496	3,190
Receivables invoiced in advance	3,115	3,153
Provision for impairment of receivables	(40)	(30)
	<b>7,571</b>	<b>6,313</b>
Accrued income and other receivables	1,181	1,151
Prepayments	2,199	1,940
	<b>10,951</b>	<b>9,404</b>

#### (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 at 1 July 2011	30	20
Provision for impairment recognised during the year	10	10
Closing balance at 30 June 2012	<b>40</b>	<b>30</b>

#### (b) Past due but not impaired

As at 30 June 2012, trade receivables of \$2,714,000 (2011 – \$3,045,000) 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	778	1,550
Over 3 months	1,936	1,495
	<b>2,714</b>	<b>3,045</b>

# 30th June 2012

<b>10 DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>2012 \$'000</b>	<b>2011 \$'000</b>
<b>Current liabilities</b>		
Interest rate collars	<b>806</b>	612
Total current derivative financial instrument liabilities	<b>806</b>	612
<b>Non-current liabilities</b>		
Interest rate collars	<b>2,015</b>	1,269
Total non-current derivative financial instrument liabilities	<b>2,015</b>	1,269
Total derivative financial instrument liabilities	<b>2,821</b>	1,881

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 78% (2011: 100%) 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.

	<b>2012 \$'000</b>	<b>2011 \$'000</b>
Settlement of interest rate collars:		
1 to 5 years		
Max 7.75%, Min 7.19%	<b>15,000</b>	15,000
Max 6.81%, Min 3.75%	<b>5,000</b>	—
More than 5 years		
Max 6.81%, Min 3.75%	—	5,000
Max 6.81%, Min 3.75%	<b>10,000</b>	10,000
	<b>30,000</b>	30,000

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

### 11 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Capital work in progress \$'000	Freehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
<b>At 1 July 2010</b>						
Cost	2,251	48,692	65,017	27,934	453	144,347
Accumulated depreciation	–	–	(10,383)	(23,159)	(169)	(33,711)
Net book amount	2,251	48,692	54,634	4,775	284	110,636
<b>Year 30 June 2011</b>						
Opening net book amount	2,251	48,692	54,634	4,775	284	110,636
Additions	7,129	–	–	2,803	690	10,622
Disposals	–	–	–	(74)	–	(74)
Transfers	(9,226)	6,141	3,085	–	–	–
Depreciation charge	–	–	(1,654)	(3,357)	(62)	(5,073)
Closing net book amount	154	54,833	56,065	4,147	912	116,111
<b>At 30 June 2011</b>						
Cost	154	54,833	68,102	30,617	1,143	154,849
Accumulated depreciation	–	–	(12,037)	(26,470)	(231)	(38,738)
Net book amount	154	54,833	56,065	4,147	912	116,111
<b>Year 30 June 2012</b>						
Opening net book amount	154	54,833	56,065	4,147	912	116,111
Additions	141	550	1,118	481	19	2,309
Disposals	–	–	(9)	(42)	–	(51)
Depreciation charge	–	–	(1,724)	(3,222)	(157)	(5,103)
Closing net book amount	295	55,383	55,450	1,364	774	113,266
<b>At 30 June 2012</b>						
Cost	295	55,383	69,211	30,908	1,163	156,960
Accumulated depreciation	–	–	(13,761)	(29,544)	(389)	(43,694)
Net book amount	295	55,383	55,450	1,364	774	113,266

The land and buildings with building fixtures, fittings, plant and equipment were independently valued by Urbis JHD, Registered Property Valuer, as at 31 December 2004. In the valuer's opinion, the 'fair value' for financial reporting disclosure purposes was \$143 million. The Directors consider that the fair value of the property, plant and equipment continues to exceed its carrying value.

# 30th June 2012

## 12 NON-CURRENT ASSETS – DEFERRED TAX ASSETS

The balance comprises temporary differences attributable to:

	2012 \$'000	2011 \$'000
Provisions and accruals	441	388
Lease premium	14	173
Derivative financial instrument	846	564
	<b>1,301</b>	<b>1,125</b>
Set-off of deferred tax liabilities pursuant to set-off provisions (note 19)	<b>(1,301)</b>	<b>(1,125)</b>
Net deferred tax assets	<b>–</b>	<b>–</b>

### Movements:

Opening balance at 1 July 2011	1,125	1,566
Credited/(charged) to profit or loss	176	(267)
Credited/(charged) to reserves	–	(174)
Closing balance at 30 June 2012	<b>1,301</b>	<b>1,125</b>

### Movements:

	Provisions \$'000	Lease premium \$'000	Derivative financial instrument \$'000	Total \$'000
<b>At 1 July 2010</b>	495	333	738	1,566
(Charged)/credited to profit or loss	(107)	(160)	–	(267)
(Charged)/credited to reserves	–	–	(174)	(174)
<b>At 30 June 2011</b>	<b>388</b>	<b>173</b>	<b>564</b>	<b>1,125</b>
<b>At 30 June 2011</b>	388	173	564	1,125
(Charged)/credited to profit or loss	53	(159)	282	176
(Charged)/credited to reserves	–	–	–	–
<b>At 30 June 2012</b>	<b>441</b>	<b>14</b>	<b>846</b>	<b>1,301</b>

# notes to the financial statements

## for the year ended

	2012 \$'000	2011 \$'000
<b>13 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES</b>		
Trade payables and accruals	2,814	4,496
Employee benefits	691	621
	<u>3,505</u>	<u>5,117</u>
<b>14 CURRENT LIABILITIES – PROVISIONS</b>		
Employee benefits – long service leave	<u>453</u>	<u>466</u>
<b>15 CURRENT LIABILITIES – CURRENT TAX LIABILITIES</b>		
Income tax	<u>367</u>	<u>111</u>
<b>16 CURRENT LIABILITIES – OTHER CURRENT LIABILITIES</b>		
Rents and other income billed in advanced	7,198	8,515
Rents and other income received in advanced	4,866	4,862
	<u>12,064</u>	<u>13,377</u>
<b>17 CURRENT LIABILITIES – BORROWINGS</b>		
Commercial bill facility	<u>–</u>	<u>7,500</u>



# 30th June 2012

	2012 \$'000	2011 \$'000
<b>18 NON-CURRENT LIABILITIES – BORROWINGS</b>		
Commercial bill facility	38,500	37,500
<b>(a) Financing arrangements</b>		
<b>Bank loan facilities</b>		
Total facilities	45,350	46,350
Used at balance date	38,500	45,000
Unused at balance date	6,850	1,350
<b>Carrying amount of total assets pledged as security are:</b>		
First mortgage over freehold land & building	110,831	110,898
Floating charge over all other assets	13,811	16,664
Total assets pledged as security	124,642	127,562

Sydney Markets Limited entered into a 3 year \$45 million loan facility (overdraft and commercial bill facility) with a major Australian bank to re-finance the existing expiring facility of \$85 million. The facility is 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 until 1 July 2015.

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.

# notes to the financial statements

## for the year ended

	2012 \$'000	2011 \$'000
<b>19 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES</b>		
<b>The balance comprises temporary differences attributable to:</b>		
Tax allowances relating to property, plant and equipment	3,032	3,141
Prepayments	362	362
	<b>3,394</b>	3,503
Set off of deferred tax assets – (note 12)	(1,301)	(1,125)
Total deferred tax liabilities	<b>2,093</b>	2,378
<b>Movements:</b>		
Opening balance at 1 July 2011	3,503	4,246
Charged/(credited) to profit or loss	(109)	(743)
Closing balance at 30 June 2012	<b>3,394</b>	3,503

	Property, plant and equipment \$'000	Prepayments \$'000	Total \$'000
<b>Movements</b>			
<b>At 1 July 2010</b>	3,871	375	4,246
Charged/(credited) to profit or loss	(730)	(13)	(743)
<b>At 30 June 2011</b>	3,141	362	3,503
<b>At 30 June 2011</b>	3,141	362	3,503
Charged/(credited) to profit or loss	(109)	–	(109)
<b>At 30 June 2012</b>	3,032	362	3,394

	2012 \$'000	2011 \$'000
<b>20 NON-CURRENT LIABILITIES – PROVISIONS</b>		
Employee benefits long service leave	110	74

# 30th June 2012

## 21 CONTRIBUTED EQUITY

### (a) Share capital

Issued capital comprises 6,524 (2011: 6,524) fully paid shares of \$1 each

	2012 Shares	2011 Shares	2012 \$	2011 \$
Flowers Ordinary shares	262	262	262	262
Growers Ordinary Shares	712	712	712	712
Retail Markets Ordinary Shares	5,060	5,060	5,060	5,060
Warehouse Ordinary Shares	240	240	240	240
Wholesale Ordinary Shares	250	250	250	250
	<b>6,524</b>	6,524	<b>6,524</b>	6,524

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

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

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

### Capital 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.

	2012 \$'000	2011 \$'000
Total borrowings	38,500	45,000
Less: cash and cash equivalents	(425)	(2,047)
Net debt	38,075	42,953
Total equity	64,729	59,158
Total capital	102,804	102,111
Gearing ratio	37%	42%

# notes to the financial statements

## for the year ended

	2012 \$'000	2011 \$'000
<b>22 RESERVES AND RETAINED EARNINGS</b>		
<b>(a) Other reserves</b>		
<i>Hedging reserve – cash flow hedges</i>	370	370
	<u>370</u>	<u>370</u>
<b>Movements:</b>		
<i>Hedging reserve – cash flow hedges</i>		
Balance 1 July 2011	370	(36)
Revaluation – gross	–	580
Deferred tax	–	(174)
Balance 30 June 2012	<u>370</u>	<u>370</u>
<b>(b) Retained earnings</b>		
Movements in retained earnings were as follows:		
Balance 1 July 2011	58,781	52,520
Net profit for the year	5,571	6,261
Balance 30 June 2012	<u>64,352</u>	<u>58,781</u>
<b>(c) Nature and purpose of reserves</b>		
(i) <i>Hedging reserve – cash flow hedges</i>		
The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in note 1. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.		

## 23 FRANKING CREDITS

The franked portions of the final dividends recommended after 30 June 2012 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2013.

	2012 \$'000	2011 \$'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2011 – 30%)	<u>38,405</u>	<u>35,752</u>
(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 end of each reporting period, and		
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the end of each reporting period.		

# 30th June 2012

## 24 KEY MANAGEMENT PERSONNEL COMPENSATION

### (a) Key management personnel compensation

	2012 \$	2011 \$
Short-term employee benefits	1,204,337	1,165,593
Post-employment benefits	166,557	143,871
	<b>1,370,894</b>	<b>1,309,464</b>

Detailed remuneration disclosures are provided in sections A-B of the remuneration report on pages 12 to 13.

### (b) Shareholdings related to key management personnel

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.

Name 2012	Balance at the start of the year or on date of appointment	Changes during the year	Balance at the end of the year
<b>Ordinary shares</b>			
Mr William L. Lynch	12	(6)	6
Mr Alvisio (John) Olivieri	4	–	4
Mr Shaun M. McInerney	23	(13)	10
Mr William W. Lee	6	–	6
Mr Mario J. Messina	8	–	8
Name 2011	Balance at the start of the year	Changes during the year	Balance at the end of the year
<b>Ordinary shares</b>			
Mr William L. Lynch	17	(5)	12
Mr Alvisio (John) Olivieri	4	–	4

### (c) 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.

	2012 \$	2011 \$
(i) Total income received or receivable by Sydney Markets Limited from Director-related entities for rents, dues and fees (recognised in revenue from continuing operations)	517,670	632,041
(ii) 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)	64,433	74,083

The names of Directors concerned with the above transactions were Mr David J. Whiteman, Mr Colin H. Gray, 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.

# notes to the financial statements

## for the year ended

	2012 \$	2011 \$
<b>25 REMUNERATION OF AUDITORS</b>		
<b>(a) PwC Australia</b>		
<i>(i) Audit and other assurance services</i>		
Audit and review of financial reports	<b>142,000</b>	142,971
Other assurance services	<b>32,750</b>	7,250
Total remuneration for audit and other assurance services	<b>174,750</b>	150,221
<i>(ii) Taxation services</i>		
Tax compliance services	<b>37,750</b>	35,548
Total remuneration for taxation services	<b>37,750</b>	35,548
<i>(iii) Other services</i>		
Assistance with financial statement preparation	<b>21,000</b>	23,350
Total remuneration for other services	<b>21,000</b>	23,350
Total remuneration of PwC Australia	<b>233,500</b>	209,119

## 26 CONTINGENCIES

There are no contingent liabilities or assets at the reporting date (2011: \$Nil).



# 30th June 2012

	2012 \$'000	2011 \$'000
<b>27 COMMITMENTS</b>		
<b>(a) Operating commitments</b>		
Operating commitments contracted for but not capitalised in the accounts:		
Payable:		
Less than 1 year	2,817	2,772
Longer than 1 year not longer than 5 years	11,810	11,522
Longer than 5 years	99,141	102,204
	<b>113,768</b>	<b>116,498</b>
The above commitments relate to the Paddy's Market Haymarket site pursuant to a 30 year lease from 1 January 2010 until 31 December 2039 to the Sydney Markets Limited.		
The lease is for a fixed annual lump sum payment indexed on 1 January each year by annual CPI.		
<b>(b) Capital expenditure commitments</b>		
Commitments in relation to amounts contracted for at the reporting date but not recognised as liabilities, payable:		
Acquisition of commercial property	—	847
Other capital expenditure projects	412	3,533
	<b>412</b>	<b>4,380</b>
Representing:		
Less than 1 year	412	4,380
	<b>412</b>	<b>4,380</b>

# notes to the financial statements

## for the year ended

### 28 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 10.

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 reporting date, Sydney Markets Limited had the following variable rate borrowings and interest rate derivatives outstanding:

	2012 \$'000	2011 \$'000
Commercial bill facility	38,500	45,000
Interest rate derivatives (notional principal amount)	(30,000)	(45,000)
Net exposure to cash flow interest rate risk	8,500	—

The loans drawn down under the commercial bill facility bear an average variable interest rate of 4.21% (2011 – 4.83%). The cap and the floor of the collars vary between 6.81% and 7.75% (2011 – 6.81% and 7.75%) and 3.75% and 7.19% (2011 – 3.75% and 7.19%) respectively with a premium between 0% and 0.9875% (2011 – 0% and 0.9875%).

At 30 June 2012, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and the hedging reserve would have been affected as follows:

	2012		2011	
	Profit \$'000	Hedging reserve \$'000	Profit \$'000	Hedging reserve \$'000
<b>+1% (100 basis point)</b>				
Interest income/(expense)	3	—	14	—
Valuation of derivatives	1,052	—	—	802
<b>-1% (100 basis point)</b>				
Interest income/(expense)	(3)	—	(14)	—
Valuation of derivatives	(83)	—	—	(926)

## 28 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 many 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 2012.

	Less than 6 months \$'000	6-12 months \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000	Carrying Value \$'000
<b>Year ended 30 June 2012</b>						
<b>Financial liabilities</b>						
Trade and other payables	(3,505)	—	—	—	(3,505)	(3,505)
Interest bearing loans*	(989)	(989)	(42,459)	—	(44,437)	(38,500)
Derivatives	(403)	(403)	(1,710)	(305)	(2,821)	(2,821)
	(4,897)	(1,392)	(44,169)	(305)	(50,763)	(44,826)
<b>Year ended 30 June 2011</b>						
<b>Financial liabilities</b>						
Trade and other payables	(5,117)	—	—	—	(5,117)	(5,117)
Interest bearing loans*	(6,947)	(3,387)	(37,927)	—	(48,261)	(45,000)
Derivatives	(306)	(306)	(1,144)	(125)	(1,881)	(1,881)
	(12,370)	(3,693)	(39,071)	(125)	(55,259)	(51,998)

\*These maturities are in line with Sydney Markets Limited's strategy. The facilities maturing in 2015 will be renegotiated at that time.

### (d) Foreign currency risk and price risk

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

### (e) Fair value

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

# notes to the financial statements

## contents

### 30th June 2012

#### 29 EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of Sydney Markets Limited, the results of those operations or the state of affairs of Sydney Markets Limited in subsequent financial years.

	2012 \$'000	2011 \$'000
<b>30 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		
Profit for the year	5,571	6,261
Depreciation and amortisation	5,103	5,073
Loss (profit) on disposal of plant and equipment	(11)	17
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	(1,609)	(738)
(Increase)/decrease in deferred tax balances	(285)	(476)
Increase/(decrease) in trade and other payables	(2,875)	(145)
Increase/(decrease) in provisions	963	51
Increase/(decrease) in current tax liabilities	256	29
Net cash inflow from operating activities	7,113	10,072

# Directors' declaration

## 30th June 2012

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 16 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 2012 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 COLIN H. GRAY**  
DIRECTOR

Sydney  
27 September 2012

# independent audit report to the members of



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

### Report on the financial report

We have audited the accompanying financial report of Sydney Markets Limited (the company), which comprises the balance sheet as at 30 June 2012, and 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 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Independence

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

---

### PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, SYDNEY NSW 2000, GPO BOX 2650, SYDNEY NSW 1171

DX 77 Sydney, Australia

Telephone +61 2 8266 0000 Facsimile +61 2 8266 9999 [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation



# Sydney Markets Ltd

## 30th June 2012

### 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 entity's financial position as at 30 June 2012 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 entity's financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

#### Report on the Remuneration Report

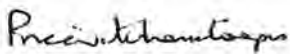
We have audited the remuneration report included in pages 11 to 13 of the directors' report for the year ended 30 June 2012. The Directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our 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 2012, 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 2012 included on Sydney Markets Limited's web site. The company's directors are responsible for the integrity of the Sydney Markets Limited's web site. We have not been engaged to report on the integrity of this web site. 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



S J Bourke  
Partner

Sydney  
27 September 2012

Liability limited by a scheme approved under Professional Standards Legislation

This page has been left blank intentionally.







TO PADDY'S HAYMARKET  
PARRAMATTA ROAD

DALTON AVE

POTTS ST

HUDSON ST

Circular Road

Circular Road

Growers Road

Fourth Ave

East Road

Third Ave

BUILDING U

BUILDING M

BUILDING N

BUILDING W

BUILDING S

BUILDING R

BLDG O

BUILDING K

BUILDING C

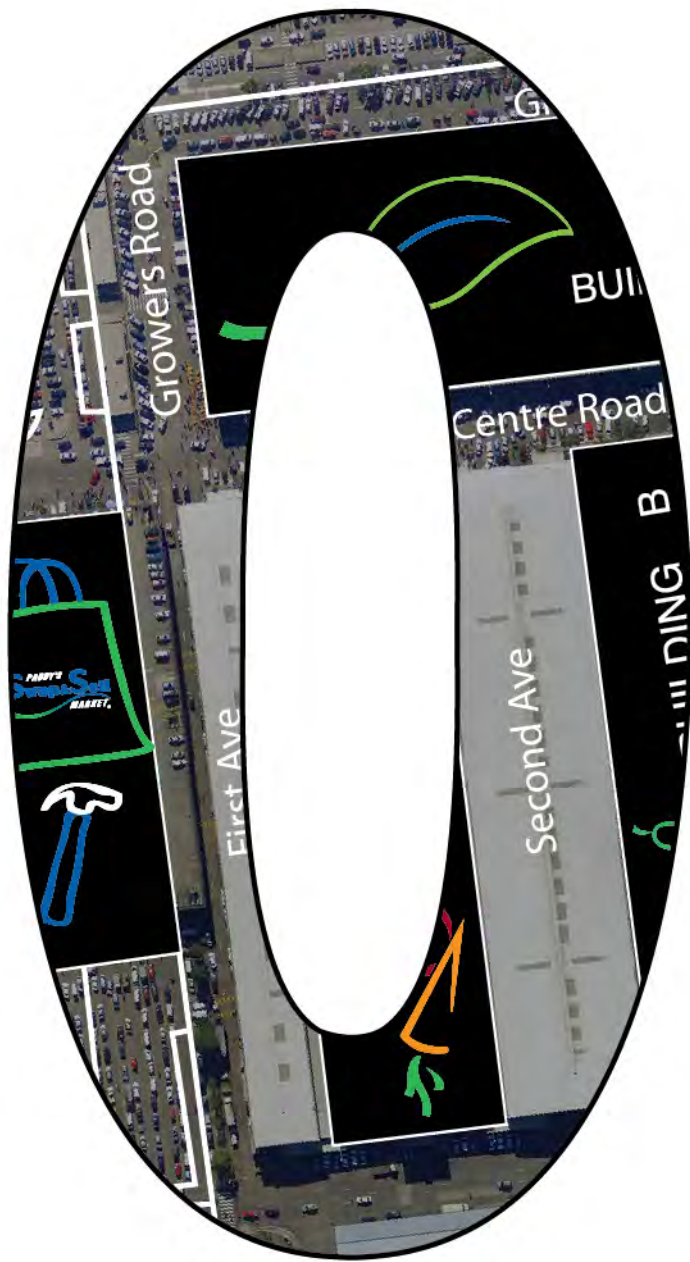
LDING E

NG P

P







Sydney Markets Limited Postal Address: PO Box 2, Sydney Markets NSW 2129

Registered Office: Level 3, Sydney Markets Plaza®, Sydney Markets NSW 2129

Tel: 02 9325 6200 Fax: 02 9325 6288 Email: [info@sydneymarkets.com.au](mailto:info@sydneymarkets.com.au) [www.sydneymarkets.com.au](http://www.sydneymarkets.com.au)

