



2015

ANNUAL REPORT



sydneymarkets.com.au





TENANTS
PARKING

STREET

HAMMERSMITH

SYDNEY MARKETS
PLAZA
Business and Shopping Centre

Plaza Road

North R

Growers

BUILDING
X

Growers Road

SOLAR PANELS

BUILD

Centre Road

MARLBOROUGH ROAD

CENTENARY DRIVE

AUSTIN AVE

COOKING
SCHOOL

Solar Panels

Flower Circuit

BUILDING F

Flower Circuit

Flower Circuit

BUILDING H

West Road

PADDY'S
Swap & Sell
MARKET

CAR PARK V
EXTENSION

First Ave

BUILDING A

Second Ave

KERRUISH AVE

BUILDING J

South Road

BUILDING T

BUILDING G

BUILDING Q

BANANA MAR

PROVIDORES

Railway Parade



FLEMIN

oad

Road

UILDING D

UILDING P

outh Road

MARKET BUILDING E

BUILDING P

Third Ave

BUILDING C

Gowers Road

Fourth Ave

P

BUILDING K

East Road

BUILDING R

BLDG O

L2

L1

BUILDING S

Circular Road

BUILDING N

Circular Road

BUILDING W

HUDSON ST

DALTON AVE

TO PADDY'S HAYMARKET

PARRAMATTA ROAD

POTTS ST

BUILDING U



BOARD OF DIRECTORS 2015



JOHN PEARSON
Chairman



DAVID WHITEMAN
Expertise Director



BILL LYNCH
Expertise Director



DAVID HYNES
Independent Director



WILLIAM LEE
Nominee Director
Growers Market



COS CREMONA
Nominee Director
Warehouses



SHAUN MCINERNEY
Nominee Director
Wholesale Market



JOHN OLIVIERI
Nominee Director
Flower Market



MARIO MESSINA
Nominee Director
Retail Markets

SENIOR MANAGEMENT



BRADLEY LATHAM
Chief Executive Officer



SHANE CHESTER
Head of Operations



GERRY DARAS
Head of Special Projects



MICHAEL GOLDEN
Chief Financial Officer/
Company Secretary



MARTIN FORSTER
Head of Site Services

annual report

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30 June 2015

SYDNEY MARKETS LIMITED
ABN 51 077 119 290
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

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joint message from the Chairman & CEO

JOINT MESSAGE FROM THE CHAIRMAN & CHIEF EXECUTIVE OFFICER

We are pleased to present the 2014/15 Sydney Markets Limited (SML) Annual Report.

Independent retailers remain a vital link in the fresh produce and flower supply chain. This is highlighted by the fact that over 60% of the output of produce is sold to the retail sector. Important changes are being made to our retailer award programs to provide a stronger focus on this segment of the market and address the changing social media environment and to gain better leverage from the food industry and media organisations.

Our Wholesale sector remains buoyant. The next 12 months will see the need to address requirements for additional warehouse space needed by shareholders.

The Paddy's brands at Flemington and Haymarket continue to operate well. We do recognise however there are some issues affecting Paddy's Haymarket traders with the ongoing development of the Haymarket precinct which will result in the demolishing of the Entertainment Centre and associated car park. There will be patience needed in the coming months but the final product will showcase the precinct as a genuine destination that Paddy's will be a part of.

Our Growers and Flower Markets continue to showcase our wonderful array of products.

Exciting Infrastructure projects are about to commence. i.e.

- The Sydney Markets Cooking School will incorporate a Conference and Function centre. This project will showcase Australia's outstanding produce industry and provide the opportunity to educate the consumer about the importance of the Central Market System.
- An extension of the western car park. This will create an additional 350 parking positions with solar car ports to be installed on the entire top floor, a pedestrian linkage will be made to the rail station bridge and a large goods/passenger lift will be installed for the convenience of stakeholders and customers to the Markets site.

Our service contracts including waste removal, security and site cleaning were all renewed during the reporting period. A comprehensive process was carried and has resulted in significant savings.

Financially, SML has reported a strong and successful 12 months. The financials and other related activities follow.

FINANCIALS

The 2014/2015 Financial Year has resulted in another strong financial performance for SML.

- 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 SML's core operations. Profit before theoretical valuation (loss)/gain on derivatives and income tax was \$8.1 million.
- Profit after tax before theoretical valuation (loss)/gain on derivatives of \$5.6 million.
- Operating revenue for the year increased by 1.9% compared to last year. The increase was attributable to continued strong Market occupancy levels.
- Total expenses were up by 3.2% during the year. This was mainly due to higher legal expenses and higher waste removal costs.
- The total capital expenditure for the year was \$2.7 million. This was driven by the construction of new forklift enclosures, purchase of weighbridge and other infrastructure upgrades.
- The SML Board's continued commitment to reducing debt has seen borrowings for the purchase of the Sydney Markets site reduce from \$33 million at 1 July 2014 to \$29 million at 30 June 2015. Please note this loan facility has also been used to purchase properties on Parramatta Road for future expansion of the Market.

HIGHLIGHTS

Strategic Plan

- SML's Strategic Plan process for the period 2013 to 2018 continues to be implemented. The Plan represents an extensive review of SML's current situation, its performance over the previous five years and the environment in which it operates.

joint message from the Chairman & CEO

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

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

Successful implementation of the Plan will deliver a strong future for our people, shareholders and other stakeholders. The Plan is due to be reviewed again in early 2016.

- During the reporting period, SML completed three comprehensive stakeholder surveys through the Flower, Growers and Produce Markets. The surveys satisfy one of the key pillars of Sydney Markets five year Strategic Plan; to better understand the needs of businesses operating within the Markets. SML uses the results from these surveys to guide our decision making and to ensure we are meeting the needs of the wider industry.

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

An overview of the key findings from these surveys is included following this report.

- Friday Paddy's at Flemington. On March 27th Friday Paddy's Flemington commenced trading with an improved layout. The new configuration featured a central food court and staging area to host events and clearance sales.

The Market now features separate food zones for the convenience of shoppers and to enhance opportunities for our General Goods traders. Feedback from traders and customers has been positive with entry counts during our launch events showing an increase from previous months.

A revised layout has also been introduced at Sunday Paddy's Flemington which will enhance the shopping experience.

- Expressions of Interest (EOI) for additional Warehouse space ranging in sizes from 500m² to 5,000m² plus were distributed during the reporting period for proposed Warehouses along Parramatta Road. The response exceeded expectations.

Management has since engaged an Architect and Town Planner to assist with developing a Master Plan for this precinct incorporating the following:

- Parramatta Road East Development options taking into account zoning across the entire area
- The potential purchase of Dalton Avenue
- Building M – potential build over
- Option to incorporate Suttons site in the future

Grow the Business

- A Memorandum of Understanding (MOU) has been entered into with Lend Lease who are developing the five hectares within the SICEEP Darling Harbour Live site.

Lend Lease and SML continue to work together to create a vision and concept for the development of a new Markets Gourmet Food District as part of a Mixed Use development.

- Sydney Markets Limited purchased the public weighbridge operation during the reporting period and have since fully automated the system. It is envisaged that usage will increase as a result of the improvements.

Branding/Marketing

- Negotiations were finalised with Production Company, Hark Attack, for the airing of a new 12 episode television series showcasing Sydney Markets titled "Life Inside The Markets". The documentary focused on the journey of fresh produce from the farm through the Markets and on to its final destination in addition to the many characters of the Market. The ratings achieved exceeded expectations.

Environmental

- SML's environmental sustainability record has continued to improve during the reporting period that is highlighted by the fact that over 65% of the total waste at the Flemington and Paddy's Haymarket sites is recycled. SML has continued with its education seminars for Market stakeholders.
- In addition, SML was successful in reaching Silver Award category status of the Sustainability Advantage Program run by the NSW Office of Environment and Heritage for our environmental initiatives.
- An electric vehicle charging station was commissioned in conjunction with the installation of the Flower Market solar carport. SML has subsequently acquired an energy efficient/electric hybrid vehicle for use on our site.

joint message from the Chairman & CEO

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

Work Health and Safety Action Plan

- As reported in our 2013 Annual Report, sadly a forklift operator suffered fatal injuries in January 2013 as a result of a collision on site. As part of its usual process, WorkCover New South Wales investigated the incident and determined to prosecute Sydney Markets Limited as manager/controller of the site for breaches of work health and safety laws. Other involved parties are also subject to a current prosecution by WorkCover.

On the basis that the matter is currently before the courts Sydney Markets Limited is not in a position to provide further comment other than to say it has pleaded not guilty and intends to strongly defend all charges.

It is important at this time that we highlight Sydney Markets Limited longstanding commitment to safety. Exemplifying this commitment is the fact that Sydney Markets Limited is closely working with WorkCover in relation to a full-scale safety review of the entire site, with a particular focus on traffic movements/operations. Given the size of Sydney Markets this is a detailed and lengthy project, with regular site visits by WorkCover inspectors and meetings with Sydney Markets Limited's management. The intention over the next 12 months will be to provide further information on this project to stakeholders once both Sydney Markets Limited and WorkCover are satisfied as to the changes that should be implemented wherever reasonably practicable.

WorkCover is also using this project to take the time to speak with business owners/operators on site about their own health and safety obligations.

Continuing our strong commitment to safety within the Markets, SML created a permanent position to oversee Work Health and Safety on site, i.e. WHS Manager. Mr John Pascucci was appointed to the position and has commenced a series of employee and stakeholder WHS courses and developing improved systems to assist in keeping Sydney Markets a safe place to work.

Infrastructure

- Extensive roadway repairs have continued to be carried out during the reporting period. Further works will continue over the next 12 months in line with our comprehensive repair program.
- Construction of 26 forklift enclosures was completed in December 2014.
- The Sydney Market Plaza air conditioning plant was replaced with an energy efficient system providing improved services to our tenants.
- The final stage of the roll out plan for energy efficient lighting was completed during the reporting period with warehouse, awning lights and street lights being replaced with new energy efficient light fittings resulting in a 300% improvement in lighting levels in addition to reduced power costs for our tenants.
- An upgrade was carried out on all electrical substations with the installation of new gas suppression systems to ensure safety in the event of fire.
- A new Building Management System was commissioned which will allow improved control of all Market lighting and other essential services.
- Two exciting projects will commence during the next 12 months with the Board providing approval to proceed with the extension of Car Park V that will create an additional 350 parking positions and the construction of the Sydney Markets Cooking School.
- Flemington Railway Station Upgrade works have commenced. Works include lift access via the station to the Markets. Access to the Markets will be linked to the Car Park V extension project.

Paddy's Market

- An estimated 50,000 people attended this year's Kids Carnival at Paddy's Flemington on Sunday 24th May 2015. The annual Paddy's event continues to showcase for the Paddy's Brand.

joint message from the Chairman & CEO

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

Vale Colin Gray

- It is with profound sadness to advise the sad passing of Expertise Director, Mr Colin Gray on 28th June 2015, following a long and courageous battle with illness.

Colin was a Director of Sydney Markets Limited from its inception in January 1997 and was an instrumental part of the formation of the Company to achieve the successful transition from a State Government Authority to an Industry owned and operated Sydney Markets in November 1997.

Colin's tireless dedication to Sydney Markets, through his SML Directorship and as CEO of the NSW Chamber of Fruit and Vegetable Industries, and to the Fresh Produce Industry in general, as well as his significant contribution to the many Sydney Markets and Industry fundraising events were exceptional. Colin will most definitely be missed.

Other News

- In June 2015 Mr Mario Messina was re-elected unopposed as Nominee Director for the Retail Markets categories. In August 2015 Mr David Whiteman was elected as Expertise Director. In September 2015 Mr William Lynch was re-elected as Expertise Director. We congratulate Mr Messina, Mr Whiteman and Mr Lynch on their appointments.
- The Sydney Markets annual Mango Auction, Cherry Auction and Race Day raised a combined total of \$130,000 for the Sydney Markets Foundation. The funds raised assisted the Save Our Sons, the Prostate Cancer Foundation of Australia, Cancer Council and Oz Harvest. Congratulations must go to the Markets community on this outstanding achievement.
- Continued Industry participation is highlighted by SML's attendance at a range of events including the Ausveg Convention, PMA A-NZ, Australian Chamber Fresh Connections Conference, the Australian Banana Industry Congress, the Asia Pacific Working Group Conference and World Union of Wholesale Markets Conference.
- Our Chief Executive Officer, Mr Brad Latham was presented with an Award from the Asia-Pacific Wholesale Markets Industry titled "Excellent Person of the Year Award" for his contribution to the Wholesale Markets Industry.

Sydney Markets Health Challenge

- During the months of October, November and December SML introduced a Health Challenge for all Sydney Markets Limited Employees. The challenge was designed to help employees appreciate the health benefits of the products Sydney Markets distributes every single day.

For years, Sydney Markets had led educational campaigns targeted toward primary school aged children through our Fresh for Kids program and by supporting many health and wellbeing initiatives for various Government and community groups. This challenge took our years of knowledge and understanding of healthy eating and gave our staff members the tools to make a positive change in their lives. At the conclusion of the challenge, a total of over 120 kilos was lost by our staff.

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

All financial indicators show SML can look forward to another strong performance for the 2015-2016 year.



MR BRADLEY LATHAM
CHIEF EXECUTIVE OFFICER



MR JOHN PEARSON
CHAIRMAN

stakeholder survey report

STAKEHOLDER SURVEY REPORT

During the reporting period, SML completed three comprehensive stakeholder surveys through the Flower, Growers and Produce Markets.

Overviews of key findings from each survey are:

Growers Market

- The profile of this Market has changed significantly over time with increasing representation of growers from Asian and Middle Eastern backgrounds.
- Today the Market comprises 270 businesses, most of which (67%) are small operations occupying 1-2 stands in D Shed.
- It is estimated that the Market processes sales of \$250-\$300M per annum with 83% going to independent customers. Clearly, the sustainability of this customer base is critical to the Growers' Market.
- Competition has increased significantly over the last 10 years and most stakeholders are facing challenges to embrace technology and differentiate their product offering. Paper based systems dominate and only 13% of sales are based on value-add products.
- Approximately 530 people work in the Growers Market. They are a very experienced group with 35% operating their own business for over 30 years. They are also an ageing group with under-representation of 18-25 year olds and over-representation of people aged 50+ compared to the National population.
- Succession opportunities are not strong and business owners will face challenges in the future with very few young people coming through and the potential loss of experience and knowledge.
- The group has mixed feelings about their future with 42% seeing no change and 44% seeing contraction over the next five years.

Flower Market

- The Flower Market makes a significant contribution to the NSW cut flower industry.
- The Market comprises 108 businesses which sell 13 million bunches per annum and generate sales of about \$135-\$150M per annum.
- Approximately 70% of the sales are to florists and the major flower sold is the rose, representing 24% of sales revenue.
- Sale of imports has become more prevalent over time and presently represents about 20% of total sales revenue but 32% of the sales by the larger businesses. Flowers sourced from business owner farms remain at a healthy level of 60% and the actual figure is probably higher given that 17% of sales are internal.
- Competition has increased significantly over the last 10 years, particularly from imports, and most stakeholders are facing challenges to innovate and embrace state-of-the-art technology and systems.
- As is the case for the Growers Market, business owners in the Flower Market are very experienced with 47% operating continuously for over 30 years. The 310 people who work in the Market are also under-represented in the 18-25 year old category and over-represented in the 50+ category.
- Business continuity through succession continues to be a challenge for the group.

stakeholder survey report

STAKEHOLDER SURVEY REPORT (continued)

Wholesale Produce Market – A, B, C & E

- The Produce Market is the largest fresh fruit and vegetable wholesale market in Australia and one of the largest in the world.
- This Market comprises 112 businesses and boasts sales of almost \$2Billion per annum; 50% of the sales are to independent greengrocers but the Market also services a broad customer base including the major chain stores, providores, IGA's, and food services.
- The major product type sold is stone fruit at \$220M or 11% of total sales. Bananas are the major single line of product sold at \$180M, which represents 45% of Australia's wholesale market sales.
- The strength of independents and consistent supply from growers are the major factors affecting the wholesalers' businesses. Programs that support the greengrocer will continue to be critical. Not surprisingly, there is a strong focus on long-term relationships with customers and growers.
- The Produce Market is a significant employer with 1,650 people working in the area. The Market has a reasonable representation of young people with an age distribution similar to the general Australian population; however, succession opportunities remain a challenge as does retention of staff.
- The business owners are very experienced with 43% being in continuous operation for over 30 years. In the main, they have embraced state-of-the-art technology and systems to improve their businesses. Labour costs are high and many wholesalers are working on programs to improve productivity.
- Trading times remain an issue with 77% of wholesalers requiring the times to be formalised and policed.
- The group is confident about the future with 36% looking to expand their business over the next five years.
- Most of the Business Owners (60%) believe that their business will remain stable over the next five years.

Work has commenced on the next round of surveys that will focus on Warehousing, Retail Buyers and our Paddy's brand, details of which will be shared with stakeholders.

marketing report

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 7 life-size fruit and vegetable characters being Summa Strawberry®, Captain Capsicum®, Megabite Apple®, Oscar Orange®, Bazza Banana®, Tamara Tomato® and Brooke Broccoli®.
- Freshforkids.com.au is an award-winning website which contains valuable resources for schools, student and canteen managers. The site contains stencils, work sheets and educational games for teachers to utilise in classrooms and recipes for parents to try at home with their kids.
- A major sponsorship of the School Sports Foundation and regularly hosts Premiers Sporting Ambassador visits to Primary Schools in the state.
- A yearly Canteen Program that rewards kids for making healthy choices at the canteen. The program includes over 3,800 schools. Since 2008 approximately 1.2 million children have taken part in the program and have consumed over 1 million pieces of fruit.
- 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.

FRESH AWARDS

Sydney Markets launched the Fresh Awards, a new and improved program of awards recognising the efforts and achievements of growers and independent retailers who trade in the markets.

The Fresh Awards bring together Sydney Markets' long running retail excellence programs – the Greengrocer and Florist of the Year Awards and the Fruit & Vegetable and Flower Grower of the Year Awards, along with a newly introduced category for bloggers. The Blogger Awards will recognise the role of new media, in particular the blogging community, in promoting and fostering support for independent fresh produce and flower retailers in NSW and the ACT.

Building on the success of the retailer and grower programs over the last decade, the Fresh Awards will be a platform for encouraging and recognising best practice and innovations in fresh produce and flower growing and retailing, as well as showcasing the broader industry.

Sydney Markets has long been invested in supporting independent greengrocers and florists to achieve and maintain the highest standards in fresh produce retailing. Through the retailer awards and accompanying mystery shopping programs we have been able to offer greengrocers and florists valuable insights and incentives for raising the bar in all aspects of their businesses.

The awards programs have been a way for us to not only recognise the efforts of growers and retailers, but also help strengthen their relationships within the markets and with end customers. We've had great success with each of the awards over the last 13 years. With this next chapter bringing them all together into one program, we have the opportunity to make the Fresh Awards a collective celebration of our industry.

Directors' report

Your Directors present their report on Sydney Markets Limited (the company) for the year ended 30 June 2015.

DIRECTORS

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

Mr John C. Pearson	Chairman
Mr Colin H. Gray	To 28 June 2015 deceased
Mr William W. Lee	
Mr David J. Whiteman	From 19 August 2015
Mr William L. Lynch	
Mr Cosimo Cremona	
Mr David W. Hynes	(Deputy Chairman from 20 August 2014 to 19 August 2015)
Mr Alvisio (John) Olivieri	(Deputy Chairman from 19 August 2015)
Mr Shaun M. McInerney	
Mr Mario J. Messina	

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

PRINCIPAL ACTIVITIES

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

There was no significant change in the nature of the activity of the company during the year.

REVIEW OF OPERATIONS

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

DIVIDENDS – SYDNEY MARKETS LIMITED

No dividends were paid or recommended during the year. Sydney Markets Limited's policy, as disclosed in the Prospectus dated 16 February 1998, is that no dividends will be declared. In exceptional circumstances the Directors may elect to declare a dividend, however, the Directors do not currently envisage any circumstance that would give 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 2015 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 Limited engages independent and registered testing companies to continuously monitor the discharge of trade waste water and other liquid waste from the Flemington site. Sydney Markets Limited has complied with all the required regulations during the year ended 30 June 2015.

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 R.P. Cricket Pty Ltd – T/A Randwick Petersham Foundation

SML Committees:

- Finance and Audit, Remuneration, Master Plan, Retail Markets Sub Committee

Interests in shares and options:

- Nil

Mr David J. Whiteman – Non-Executive Expertise Director

Qualifications:

- BA (Macquarie University) majoring in Economics & Financial Studies

Experience and expertise:

- Board member from 19 August 2015
- Deputy Chairman from 23 July 2009 to 25 August 2010, Board Member from 21 July 2004 to 17 July 2013
- Over 46 years experience in the fruit and vegetable industry

Other current directorships:

- Director of C J Lewis Pty Ltd
- Director of Mount View (Orchids Batlow) Pty Ltd
- Director of Davic Investments Pty Ltd
- Director of Chamber (Holdings) Pty Ltd
- Director of NSW Chamber (Services) Pty Ltd
- Director, The Australian Chamber of Fruit and Vegetable Industries Ltd
- Vice President, The NSW Chamber of Fruit and Vegetable Industries Inc.

SML Committees:

- Finance and Audit

Interests in shares:

- Nil

Directors' report

INFORMATION ON DIRECTORS (continued)

Mr Colin H. Gray	– Non-Executive Expertise Director, Deputy Chairman from 21 August 2013 to 20 August 2014
Qualifications:	<ul style="list-style-type: none"> – Graduate, Officer Training Unit, Scheyville – 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) – Qualified Mediator (Law Societies of NSW, VIC, SA and WA)
Experience and expertise:	<ul style="list-style-type: none"> – Founding Director and Board Member from 1997 to 28 June 2015 (deceased) – Deputy Chairman 2002-03, 2010-11 and 2013-14 – Past Chairman, Sydney Markets Industries Group – Executive Director, The Australian Chamber of Fruit and Vegetable Industries Ltd 1999-2009 and from June 2014 – Appointed to several Government and Industry Committees. Currently a member of the ACCC Small Business Consultative Committee – Worked as an accountant in private industry – More than 20 years fulltime service with the Australian Army and 10 years 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 20 years experience in Sydney Markets as CEO Freshmark, The NSW Chamber of Fruit and Vegetables Industries Inc.
Other current directorships:	<ul style="list-style-type: none"> – Secretary, Chamber (Holdings) Pty Ltd – Secretary, NSW Chamber (Services) Pty Ltd – Secretary, Sydney Markets Foundation Inc. – Executive Director, The Australian Chamber of Fruit and Vegetable Industries Ltd
SML Committees:	– Finance and Audit, Master Plan, Fresh for Kids, Retail Markets Sub Committee
Interests in shares:	– Nil
Mr William L. Lynch	– Non-Executive Director
Experience and expertise:	<ul style="list-style-type: none"> – Board Member since 1998 – Over 57 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:	<ul style="list-style-type: none"> – Director of W & D Lynch Pty Ltd – Director of Carismatic Pty Ltd – Director of Fresh Flower Group Pty Ltd – Director of Lynch Group Events Pty Ltd – Director of Lynch Flowers Brisbane Pty Ltd
SML Committees:	– Remuneration, Finance and Audit Committee
Interests in shares:	– 6 Flower Market Ordinary Shares

Directors' report

INFORMATION ON DIRECTORS (continued)

Mr David W. Hynes	– Non-Executive Independent Director, Deputy Chairman from 20 August 2014 to 19 August 2015
Qualifications:	– B.Ec / LL.B (Sydney Uni)
Experience and expertise:	– 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 Cosimo Cremona	– Non-Executive Nominee Director – Warehouses
Experience and expertise:	– Board Member from 24 July 2002 to 13 July 2011 and from 17 July 2013 – Over 35 years experience in the fruit and vegetable industry – Member of the Lions Club, Sydney Markets
Other current directorships:	– Nil
SML Committees:	– Environment Management
Interests in shares:	– Nil
Mr Alvisio (John) Olivieri	– Non-Executive Nominee Director – Flower Market Deputy Chairman from 19 August 2015
Experience and expertise:	– Board Member since July 2008 – Over 36 years involvement in the cut flower industry – Former Vice President of NSW Flower Growers Association
Other current directorships:	– Director of A & L Property Developments Pty Ltd.
SML Committees:	– Master Plan
Interests in shares:	– 3 Flower Market Ordinary Shares
Mr Shaun M. McInerney	– Non-Executive Nominee Director – Wholesale
Experience and expertise:	– Board Member since July 2011 – Over 33 years experience in the fruit and vegetable industry
Other current directorships:	– Director Fresh Fellas Pty Limited
SML committees:	– Environment Management
Interests in shares:	– 8 Retail Markets Ordinary Shares, 4 Wholesale Market Ordinary Shares, 2 Warehouse Ordinary Share and 1 Growers Market Ordinary Share

Directors' report

INFORMATION ON DIRECTORS (continued)

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

- Experience and expertise:
- Board Member since 26 October 2011
 - Over 54 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 28 years experience at Sydney Markets
 - Representative, Paddy's Advisory Committee
 - Member of Council of Market Representatives from September 1999 to June 2012
- Other current directorships:
- Nil
- SML committees:
- Environment Management, Master Plan
- Interests in shares:
- 8 Retail Markets Ordinary Shares.

COMPANY SECRETARY

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

Mr Michael Golden

Mr Michael Golden has over 15 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 2015 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	10	10
Mr Colin H. Gray	12	8	10	8
Mr William W. Lee	12	12	—	—
Mr William L. Lynch	12	12	10	9
Mr Cosimo Cremona	12	12	—	—
Mr David W. Hynes	12	10	—	—
Mr Alvisio (John) Olivieri	12	11	—	—
Mr Shaun M. McInerney	12	12	—	—
Mr Mario J. Messina	12	12	—	—

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

B = Number of meetings attended

DIRECTORS AND OFFICERS REMUNERATION

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

- Directors' and Officers' fees and remuneration as shown in Sydney Markets Limited's remuneration report below (Part B).
- Interests or involvement in a company or entity that has a lease or licence with Sydney Markets Limited on terms and conditions no more favourable than those of other Market tenants (note 24).

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

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

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

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

Key Management Personnel	Position
Mr Bradley R. Latham	Chief Executive Officer
Mr Gerry Daras	Head of Special Projects
Mr Michael W. Golden	Chief Financial Officer
Mr Shane R. Chester	Head of Operations
Mr Martin J. Forster	Head of Site Services

Directors' report

DIRECTORS AND OFFICERS REMUNERATION (continued)

A Principles used to determine the nature and amount of remuneration

The compensation structure for key management personnel is based on the experience and capability of the individual concerned, the market level for jobs of comparable nature, size and level of responsibility and the overall performance of Sydney Markets Limited. The contracts for service between Sydney Markets Limited and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future.

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

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

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

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

Directors' fees are determined within an aggregate Directors' fee pool limit. The pool limit for the 2015 year was \$477,545 (2014: \$465,166) as approved by the shareholders.

B Details of remuneration

Amounts of remuneration

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

2015

Name	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Total \$	Performance related %
Non-executive Directors						
Mr John C. Pearson	106,832	—	—	10,201	117,033	—
Mr Colin H. Gray	33,954	—	1,200	9,910	45,064	—
Mr William L. Lynch	39,954	—	1,200	3,910	45,064	—
Mr Alvisio (John) Olivieri	39,954	—	1,200	3,910	45,064	—
Mr David W. Hynes	39,954	—	1,200	3,910	45,064	—
Mr Shaun M. McInerney	39,954	—	1,200	3,910	45,064	—
Mr William W. Lee	39,954	—	1,200	3,910	45,064	—
Mr Mario J. Messina	39,954	—	1,200	3,910	45,064	—
Mr Cosimo Cremona	39,954	—	1,200	3,910	45,064	—
Total	420,464	—	9,600	47,481	477,545	—

Directors' report

DIRECTORS AND OFFICERS REMUNERATION (continued)

B Details of remuneration (continued)

2015

Name	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Total \$	Performance related %
Other key management personnel						
Mr Bradley R. Latham	283,160	10,000	32,256	35,000	360,417	2.7
Mr Gerry Daras	112,459	5,000	35,415	35,000	187,874	2.6
Mr Michael W. Golden	154,305	5,000	19,102	15,055	193,462	2.6
Mr Shane R. Chester	116,563	5,000	19,141	11,139	151,843	3.3
Mr Martin J. Forster	112,663	5,000	—	35,000	152,663	3.2
Total	779,150	30,000	105,914	131,194	1,046,258	
Total	1,199,614	30,000	115,514	178,675	1,523,803	

2014

Name	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Total \$	Performance related %
Non-executive Directors						
Mr John C. Pearson	104,654	—	—	9,680	114,334	—
Mr Colin H. Gray	32,941	—	1,200	9,713	43,854	—
Mr William L. Lynch	38,941	—	1,200	3,713	43,854	—
Mr Alvisio (John) Olivieri	38,941	—	1,200	3,713	43,854	—
Mr David W. Hynes	38,941	—	1,200	3,713	43,854	—
Mr Shaun M. McInerney	38,941	—	1,200	3,713	43,854	—
Mr William W. Lee	38,941	—	1,200	3,713	43,854	—
Mr Mario J. Messina	38,941	—	1,200	3,713	43,854	—
Mr Cosimo Cremona	38,941	—	1,200	3,713	43,854	—
Total	410,182	—	9,600	45,384	465,166	
Other key management personnel						
Mr Bradley R. Latham	285,518	10,000	35,452	25,012	355,982	2.8
Mr Gerry Daras	118,923	5,000	35,085	36,104	195,112	2.6
Mr Michael W. Golden	157,350	5,000	—	15,017	177,367	2.8
Mr Shane R. Chester	116,780	5,000	21,030	11,265	154,075	3.2
Mr Martin J. Forster	115,713	5,000	—	26,585	147,298	3.4
Total	794,284	30,000	91,567	113,983	1,029,834	
Total	1,204,466	30,000	101,167	159,367	1,495,000	

Shares under option

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

Directors' report

DIRECTORS AND OFFICERS REMUNERATION (continued)

Equity instrument disclosures relating to key management personnel

Share holdings

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

2015

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

2014

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

Other transactions with key management personnel

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

	2015 \$	2014 \$
Amounts recognised as revenue		
Total income received or receivable by Sydney Markets Limited from Director-related entities for rents, dues and fees (recognised in revenue from continuing operations)	388,649	347,798
Amounts recognised as expense		
Total expenditure paid or payable by Sydney Markets Limited to Director-related entities for produce, sponsorships and scholarships (recognised in advertising and promotion costs and management and administration costs)	51,499	82,123

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

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

Directors' report

CORPORATE GOVERNANCE STATEMENT

Board composition

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

Directors' shareholdings

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

Directors' committees

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

Ethical standards

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

Insurance of officers

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 19.

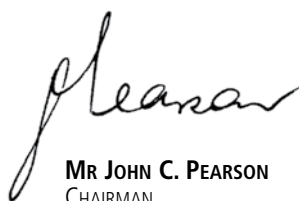
ROUNDING OF AMOUNTS

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


AUDITOR

PricewaterhouseCoopers 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 WILLIAM L. LYNCH
DIRECTOR

Sydney
16 September 2015

Auditor's independence declaration



Auditor's Independence Declaration

As lead auditor for the audit of Sydney Markets Limited for the year ended 30 June 2015, 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
16 September 2015

PricewaterhouseCoopers, ABN 52 780 433 757

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financial report

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30 June 2015

SYDNEY MARKETS LIMITED
ABN 51 077 119 290
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

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

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

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

A description of the nature of the company's operations and its principal activities is included in the Directors' report on pages 9 to 18, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 16 September 2015. The Directors have the power to amend and reissue the financial statements.

statement of comprehensive income

for the year ended

30 June 2015

	Notes	2015 \$'000	2014 \$'000
Revenue from continuing operations	4	59,303	58,213
Other (expense)/Income	5	–	22
Property cost		(24,330)	(24,102)
Payroll cost		(6,387)	(5,943)
Repairs and maintenance		(6,317)	(6,303)
Management and administration cost		(1,105)	(1,003)
Advertising and promotion		(4,696)	(4,576)
Professional fee		(2,666)	(1,864)
Depreciation expense	6	(3,546)	(3,384)
Finance expense		(2,172)	(2,465)
Total expenses from continuing operations		(51,219)	(49,640)
Theoretical valuation gain on derivatives		301	776
Profit before income tax		8,385	9,371
Income tax expense	7	(2,521)	(2,815)
Profit for the year		5,864	6,556
Other comprehensive income			
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year		5,864	6,556
Profit is attributable to:			
Owners of Sydney Markets Limited		5,864	6,556
Total comprehensive income for the year is attributable to:			
Owners of Sydney Markets Limited		5,864	6,556

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

balance sheet

as at

30 June 2015

	Notes	2015 \$'000	2014 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	4,362	2,589
Trade and other receivables	9	13,563	13,164
Current tax receivables	10	104	—
Total current assets		18,029	15,753
Non-current assets			
Property, plant and equipment	12	119,138	120,095
Total non-current assets		119,138	120,095
Total assets		137,167	135,848
LIABILITIES			
Current liabilities			
Trade and other payables	14	2,870	3,015
Borrowings	15	29,000	33,000
Derivative financial instruments	11	406	628
Current tax liabilities	17	—	368
Employee benefit obligations	16	1,422	1,292
Other current liabilities	18	9,781	10,325
Total current liabilities		43,479	48,628
Non-current liabilities			
Derivative financial instruments	11	694	773
Deferred tax liabilities	19	4,751	4,052
Employee benefit obligations	20	133	149
Total non-current liabilities		5,578	4,974
Total liabilities		49,057	53,602
Net assets		88,110	82,246
EQUITY			
Contributed equity	21	7	7
Retained earnings		88,103	82,239
Total equity		88,110	82,246

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

statement of changes in equity

for the year ended

30 June 2015

	Contributed equity \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2013	7	75,683	75,690
Profit for the year	–	6,556	6,556
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	6,556	6,556
Balance at 30 June 2014	7	82,239	82,246
Balance at 1 July 2014	7	82,239	82,246
Profit for the year	–	5,864	5,864
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	5,864	5,864
Balance at 30 June 2015	7	88,103	88,110

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

statement of cash flows

for the year ended

30 June 2015

	Notes	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		64,240	57,848
Payments to suppliers and employees (inclusive of goods and services tax)		(51,441)	(44,614)
		12,799	13,234
Interest received		45	41
Interest paid		(2,172)	(2,465)
Income taxes paid		(2,293)	(2,980)
Net cash inflow from operating activities	31	8,379	7,830
Cash flows from investing activities			
Payments for property, plant and equipment	12	(2,658)	(5,978)
Proceeds from sale of property, plant and equipment		52	77
Net cash (outflow) from investing activities		(2,606)	(5,901)
Cash flows from financing activities			
Repayment of borrowings		(4,000)	(2,000)
Net cash (outflow) from financing activities		(4,000)	(2,000)
Net increase (decrease) in cash and cash equivalents		1,773	(71)
Cash and cash equivalents at the beginning of the financial year		2,589	2,660
Cash and cash equivalents at the end of the year	8	4,362	2,589

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

notes to the financial statements

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30 June 2015

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notes to the financial statements

for the year ended

30 June 2015

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

(i) Compliance with IFRS

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

(ii) New and amended standards adopted by the company

The company has applied the following standards and amendments for first time in their annual reporting period commencing 1 July 2014:

- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*
- Interpretation 21 *Accounting for Levies*
- AASB 2014-1 *Amendments to Australian Accounting Standards*

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

(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.

(v) Going concern

As at 30 June 2015 the company had an excess of current liabilities over current assets of \$ 25,450,000 primarily due to the \$ 29,000,000 loan facility maturing on 30 June 2018. The directors expect this facility to be renewed before it falls due. The financial statements have been prepared on the basis that the company is a going concern as the directors have reviewed forecast earnings and cash flows for 12 months from the date of this report and expect the company will be able to meet its obligations as they become due and payable.

(b) Segment reporting

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

(c) Income tax

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

notes to the financial statements

for the year ended

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Income tax (continued)

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 entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

(d) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

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

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(e) Leases

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

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

(f) Financial instruments

Recognition and measurement

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

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

Financial liabilities

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

Derivative instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

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

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

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

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

notes to the financial statements for the year ended

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

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.

(g) Impairment of assets

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

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

(h) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

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

(iii) Reclassification of employee benefit obligations

The company's liabilities for accumulating sick leave and other long-term employee benefit obligations were previously presented as provisions in the balance sheet. However, management considers it to be more relevant if all employee benefit obligations are presented in one separate line item in the balance sheet. Prior year

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Employee benefits (continued)

comparatives as at 30 June 2014 have been restated by reclassifying \$726,000 from current liabilities - trade and other payables and \$566,000 from current provisions to current employee benefit obligations and \$149,000 from non-current provisions to non-current employee benefit obligations.

(i) Provisions

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

(j) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(k) Foreign currency translation

(i) Functional and presentation currency

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

(l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of taxes paid. The company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue is recognised on an accruals basis in accordance with tenancy agreements or as services are rendered. Rental and other amounts received or receivable from tenants in respect of periods subsequent to the reporting period are included within liabilities. Interest revenue is recognised using the effective interest method.

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

(m) Trade and other receivables

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

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

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

(n) 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.

notes to the financial statements for the year ended

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Borrowings

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

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

(p) 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.

(q) 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.

(r) 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.

(s) Goods and Services Tax (GST)

Revenues, expenses and assets purchased are recognised net of the amount of goods and services tax (GST).

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

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

(t) 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.

(u) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not yet been applied in the financial statements. The company's assessment of the impact of these new standards and interpretations, which may be relevant to the company, is set out below.

- (i) *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2018)*

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) New accounting standards and interpretations (continued)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2018 but is available for early adoption.

There will be no impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the company does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The company has not yet decided when to adopt AASB 9.

(ii) AASB 15 *Revenue from Contracts with Customers* (effective 1 January 2017)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

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

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

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Key estimates and judgements

(i) Impairment

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

(ii) Long service leave provision

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

(iii) Allowance for impairment loss on trade receivables

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

notes to the financial statements

for the year ended

3 SEGMENT INFORMATION

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

4 REVENUE	2015 \$'000	2014 \$'000
From continuing operations		
Rents	23,637	23,001
Dues and fees	19,711	19,338
Other operating revenue	12,006	11,791
Advertising and promotions	3,251	3,322
Consideration on transfer of licences and leases	471	569
Interest revenue	45	41
Other revenue	182	151
	59,303	58,213

5 OTHER INCOME

Net gain on disposal of property, plant and equipment	–	22
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6 EXPENSES

Profit before income tax includes the following specific expenses:

Depreciation

Buildings	1,806	1,754
Plant and equipment	1,582	1,473
Leasehold improvements	158	157
Total depreciation	3,546	3,384

Finance costs

Interest and finance charges paid to external parties	2,172	2,465
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Rental expense relating to operating leases

Minimum lease payments	2,994	2,927
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30 June 2015

7	INCOME TAX EXPENSE	2015 \$'000	2014 \$'000
(a)	Income tax expense		
	Current tax – current year	2,214	2,584
	Current tax – prior year	(392)	125
	Deferred tax	312	228
	Deferred tax – prior year	387	(122)
		2,521	2,815
	Deferred income tax expense included in income tax expense comprises:		
	Decrease/(increase) in deferred tax assets (note 13)	52	420
	(Decrease)/increase in deferred tax liabilities (note 19)	647	(314)
		699	106
(b)	Numerical reconciliation of income tax expense to prima facie tax payable		
	Profit from continuing operations before income tax expense	8,385	9,371
	Tax at the Australian tax rate of 30.0% (2014 – 30.0%)	2,516	2,811
	Adjustments from prior periods	5	4
	Income tax expense	2,521	2,815
8	CURRENT ASSETS – CASH AND CASH EQUIVALENTS		
	Cash at bank and in hand	4,362	2,589

notes to the financial statements

for the year ended

9	CURRENT ASSETS – TRADE AND OTHER RECEIVABLES	2015 \$'000	2014 \$'000
	Trade receivables	5,962	6,322
	Receivables invoiced in advance	3,900	3,176
	Provision for impairment of receivables (a)	(70)	(60)
		9,792	9,438
	Accrued income and other receivables	1,354	1,336
	Prepayments	2,417	2,390
		13,563	13,164

(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	60	50
Provision for impairment recognised during the year	10	10
Closing balance	70	60

(b) Past due but not impaired

As at 30 June 2015, trade receivables of \$1,113,000 (2014: \$3,426,000) 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	468	2,319
3 to 6 months	645	1,107
	1,113	3,426

10 **CURRENT ASSETS – CURRENT TAX RECEIVABLES**

Current tax receivables	104	–
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30 June 2015

11 DERIVATIVE FINANCIAL INSTRUMENTS	2015 \$'000	2014 \$'000
Current liabilities		
Interest rate collars	406	628
Total current derivative financial instrument liabilities	406	628
Non-current liabilities		
Interest rate collars	694	773
Total non-current derivative financial instrument liabilities	694	773
Total derivative financial instrument liabilities	1,100	1,401

(a) Instruments used by the company

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

Derivatives currently in place cover 52% (2014: 91%) 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.

	2015 \$'000	2014 \$'000
Settlement of interest rate collars:		
Less than 1 year Max 6.81%, Min 3.75%	5,000	15,000
1 to 5 years Max 6.81%, Min 3.75%	10,000	15,000
	15,000	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

12 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Freehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Capital work in progress \$'000	Total \$'000
At 1 July 2013						
Cost	55,803	69,662	31,929	1,163	448	159,005
Accumulated depreciation	–	(15,501)	(25,400)	(548)	–	(41,449)
Net book amount	55,803	54,161	6,529	615	448	117,556
Year ended 30 June 2014						
Opening net book amount	55,803	54,161	6,529	615	448	117,556
Additions	–	–	41	–	5,937	5,978
Disposals	–	–	(55)	–	–	(55)
Depreciation charge	–	(1,754)	(1,473)	(157)	–	(3,384)
Transfers	–	2,100	1,907	–	(4,007)	–
Closing net book amount	55,803	54,507	6,949	458	2,378	120,095
At 30 June 2014						
Cost	55,803	71,762	33,714	1,163	2,378	164,820
Accumulated depreciation	–	(17,255)	(26,765)	(705)	–	(44,725)
Net book amount	55,803	54,507	6,949	458	2,378	120,095
Year ended 30 June 2015						
Opening net book amount	55,803	54,507	6,949	458	2,378	120,095
Additions	–	–	915	–	1,743	2,658
Disposals	–	–	(69)	–	–	(69)
Depreciation charge	–	(1,806)	(1,582)	(158)	–	(3,546)
Transfers	–	1,290	1,847	–	(3,137)	–
Closing net book amount	55,803	53,991	8,060	300	984	119,138
At 30 June 2015						
Cost	55,803	73,050	36,165	1,163	984	167,165
Accumulated depreciation	–	(19,059)	(28,105)	(863)	–	(48,027)
Net book amount	55,803	53,991	8,060	300	984	119,138

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

30 June 2015

	2015 \$'000	2014 \$'000
13 NON-CURRENT ASSETS – DEFERRED TAX ASSETS		
The balance comprises temporary differences attributable to:		
Provisions and accruals	491	453
Derivative financial instrument	330	420
	821	873
Set-off of deferred tax liabilities pursuant to set-off provisions (note 18)	(821)	(873)
Net deferred tax assets	–	–
Movements:		
Opening balance	873	1,293
(Charged)/credited:		
– to profit or loss	(52)	(420)
Closing balance	821	873
Recovery of deferred tax assets		
Deferred tax assets expected to be recovered within 12 months	613	641
Deferred tax assets expected to be recovered after more than 12 months	208	232
	821	873
14 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES		
Trade payables and accruals	2,870	3,015

notes to the financial statements

for the year ended

15 CURRENT LIABILITIES – BORROWINGS

Secured

	2015 \$'000	2014 \$'000
Current commercial bill facility	29,000	33,000
Total secured current borrowings	29,000	33,000

(a) Financing arrangements

Bank loan facility

Total facilities	45,350	45,350
Used at balance date	(29,000)	(33,000)
Unused at balance date	16,350	12,350

(b) Secured liabilities and assets pledged as security

First mortgage

Freehold land and buildings	109,794	110,310
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Floating charge

All other assets	27,371	25,538
Total assets pledged as security	137,165	135,848

Sydney Markets Limited has a 3 year \$50 million loan facility (overdraft and commercial bill facility) secured by a mortgage over the land and buildings and a charge over the assets of Sydney Markets Limited and provides for quarterly interest payments.

The availability of finance under the facility is subject to borrowing covenants, which include a number of financial ratios. As at the date of this report Sydney Markets Limited has met all the obligations and covenants set by the bank. The facility fell due for repayment on 30 June 2015. On 1 July 2015 the company entered into an agreement to renew this facility on substantially similar terms and conditions for three years until 30 June 2018.

30 June 2015

16	CURRENT LIABILITIES – EMPLOYEE BENEFIT OBLIGATIONS	2015 \$'000	2014 \$'000
	Employee benefits – long service leave	670	566
	Employee benefits – annual leave	752	726
		1,422	1,292

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

	2015 \$'000	2014 \$'000
Current leave obligations expected to be settled after 12 months	356	303

17 CURRENT LIABILITIES – CURRENT TAX LIABILITIES

Current tax liabilities	–	368
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18 CURRENT LIABILITIES – OTHER CURRENT LIABILITIES

Rents and other income received in advance	3,232	4,410
Rents and other income billed in advance	6,549	5,915
	9,781	10,325

19 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to:

Tax allowances relating to property, plant and equipment	5,008	4,560
Prepayments	564	365
	5,572	4,925
Set-off of deferred tax liabilities pursuant to set-off provisions (note 13)	(821)	(873)
Net deferred tax liabilities	4,751	4,052

Movements:

Opening balance	4,925	5,239
Charged/(credited):		
– to profit or loss	647	(314)
Closing balance	5,572	4,925

Recovery of deferred tax liabilities

Deferred tax liabilities expected to be recovered within 12 months	951	365
Deferred tax liabilities expected to be recovered after more than 12 months	4,621	4,560
	5,572	4,925

notes to the financial statements

for the year ended

20	NON-CURRENT LIABILITIES – EMPLOYEE BENEFIT OBLIGATIONS	2015 \$'000	2014 \$'000
	Employee benefits – long service leave	133	149

21	CONTRIBUTED EQUITY	2015 Shares	2014 Shares	2015 \$	2014 \$
	(a) Share capital				
	Issued capital comprises 6,551 (2014: 6,524) fully paid shares of \$1 each				
	Flowers Ordinary Shares	262	262	262	262
	Growers Ordinary Shares	738	712	738	712
	Retail Markets Ordinary Shares	5,060	5,060	5,060	5,060
	Warehouse Ordinary Shares	241	240	241	240
	Wholesale Ordinary Shares	250	250	250	250
		6,551	6,524	6,551	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.

(b) Capital risk management

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

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

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

	2015 \$'000	2014 \$'000
Total borrowings	29,000	33,000
Less: cash and cash equivalents	(4,362)	(2,589)
Net debt	24,638	30,411
Total equity	88,110	82,246
Total capital	112,748	112,657
Gearing ratio	22%	27%

30 June 2015

22 RETAINED EARNINGS	2015 \$'000	2014 \$'000
Movements in retained earnings were as follows:		
Balance 1 July	82,239	75,683
Net profit for the year	5,864	6,556
Balance 30 June	<u>88,103</u>	<u>82,239</u>

23 DIVIDENDS

(a) Franked dividends

The franked portions of any final dividends recommended after 30 June 2015 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2016.

	2015 \$'000	2014 \$'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2014 – 30%)	<u>46,098</u>	<u>43,907</u>

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

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

24 RELATED PARTY TRANSACTIONS	2015 \$	2014 \$
(a) Key management personnel compensation		
Short-term employee benefits	1,345,127	1,335,633
Post-employment benefits	178,675	159,367
	<u>1,523,802</u>	<u>1,495,000</u>

Detailed remuneration disclosures are provided in the remuneration report on pages 14 to 17.

(b) Other transactions with key management personnel

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

Amounts recognised as revenue

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

388,649	347,798
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Amounts recognised as expense

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

51,499	82,123
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Apart from the matters mentioned above, no Director has entered into a material contract with Sydney Markets Limited during the financial year.

notes to the financial statements

for the year ended

25 REMUNERATION OF AUDITORS

(a) PwC

Audit and other assurance services

Audit and review of financial statements	2015 \$	2014 \$
	150,775	150,775
Other assurance services	13,596	15,319
Total remuneration for audit and other assurance services	164,371	166,094

Taxation services

Tax compliance services	19,890	19,000
Total remuneration for taxation services	19,890	19,000

Other services

Assistance with financial statements preparation	22,475	22,475
Total remuneration for other services	22,475	22,475
Total remuneration of PwC	206,736	207,569

26 CONTINGENCIES

On 8 December 2014, Sydney Markets Limited (SML) was served with a Summons, Application to Commence and Statement of Facts (collectively Prosecution Documents) by WorkCover NSW in relation to an alleged breach of duty under the Work Health and Safety Act relating to work place incident in 14 January 2013. The Prosecution Documents lists the alleged breach as a Category 2 offence with penalties ranging from \$200,000 to \$1,500,000. SML has pleaded not guilty and the hearing date is yet to be finalised.

The company had no contingent liabilities or assets at 30 June 2014.

27 COMMITMENTS

(a) Operating commitments

Operating commitments contracted for but not recognised in the financial statements:

Payable:

Less than one year	2015 \$'000	2014 \$'000
	3,030	2,957
Later than one year but not later than five years	12,718	12,408
Later than five years	89,486	92,784
	105,234	108,149

The above commitments relate to the Paddy's Market Haymarket site pursuant to a 30 year licence from 1 January 2010 until 31 December 2039 to the Sydney Markets Limited.

The licence lease is for a fixed annual lump sum payment indexed on 1 January each year by annual CPI.

(b) Capital expenditure commitments

Commitments in relation to amounts contracted for at the reporting date, but not recognised as liabilities, payable:

Less than one year	—	450
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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 11.

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

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

	2015 \$'000	2014 \$'000
Commercial bill facility	29,000	33,000
Interest rate derivatives (notional principal amount)	(15,000)	(30,000)
Net exposure to cash flow interest rate risk	14,000	3,000

The loans drawn down under the commercial bill facility bear an average variable interest rate of 4.11% (2014 – 4.34%). The cap and the floor of the collars are 6.81% and 3.75% (2014 – 6.81% and – 3.75%) respectively.

At 30 June 2015, if interest rate had moved, as illustrated in the table below, with all other variables held constant, post-tax profit would have been affected as follows:

	Profit/(loss) +1% (100 basis points)		Profit/(loss) -1% (100 basis points)	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Interest income/(expense)	(172)	(213)	172	213
Valuation of derivatives	459	222	(280)	(387)

notes to the financial statements

for the year ended

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 the majority of 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 2015.

	Less than 6 months \$'000	6-12 months \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000	Carrying Value \$'000
Year ended 30 June 2015						
Financial liabilities						
Trade and other payables	(2,870)	—	—	—	(2,870)	(2,870)
Interest bearing loans *	(494)	(29,494)	—	—	(29,988)	(29,000)
Interest rate collars	(203)	(203)	(694)	—	(1,100)	(1,100)
	(3,567)	(29,697)	(694)	—	(33,958)	(32,970)
Year ended 30 June 2014						
Financial liabilities						
Trade and other payables	(3,015)	—	—	—	(3,015)	(3,015)
Interest bearing loans *	(738)	(33,737)	—	—	(34,475)	(33,000)
Interest rate collars	(482)	(146)	(848)	—	(1,476)	(1,401)
	(4,235)	(33,883)	(848)	—	(38,966)	(37,416)

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

(d) Foreign currency risk and price risk

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

(e) Fair value measurements

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

30 June 2015

29 FAIR VALUE MEASUREMENTS

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

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

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

30 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 1 July 2015 the company entered into an agreement to renew its financing facility as described in note 15.

Except for the above no other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the company, the results of those operations or the state of affairs of the company or economic entity in subsequent financial years.

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

	2015 \$'000	2014 \$'000
Profit for the year	5,864	6,556
Depreciation	3,546	3,384
Net gain/(loss) on sale of non-current assets	17	(22)
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	(399)	(1,076)
Increase in current tax assets	(104)	–
Increase in deferred tax liabilities	699	106
(Decrease) in trade and other payables	(689)	(366)
(Decrease) in derivative financial instrument	(301)	(775)
(Decrease) in provision for income taxes payable	(368)	(36)
Increase in employee benefit obligations	114	59
Net cash inflow from operating activities	8,379	7,830

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Directors' declaration

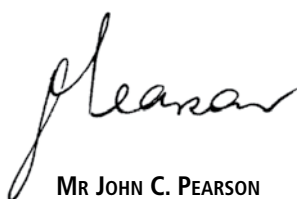
30 June 2015

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 21 to 47 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 2015 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 WILLIAM L. LYNCH
DIRECTOR

Sydney
16 September 2015

Independent Auditor's report

30 June 2015



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 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Independent Auditor's report

30 June 2015

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

Auditor's opinion

In our opinion:

- (a) the financial report of Sydney Markets Limited is in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the company's financial report also complies with International Financial Reporting Standards as disclosed in Note 1 (a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 14 to 17 of the directors' report for the year ended 30 June 2015. 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 2015, 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 2015 included on Sydney Markets Limited's website. The company's directors are responsible for the integrity of Sydney Markets Limited's website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this website.



PricewaterhouseCoopers



S J Bourke
Partner

Sydney
16 September 2015

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MARLBOROUGH ROAD

CENTENARY DRIVE

CIRCULATING ROAD

TENANTS PARKING

STREET

HAMMERSMITH

BUILDING X

SYDNEY MARKETS
PLAZA
Business and Shopping Centre

Plaza Road

North B

Growers

Growers Road

SOLAR PANELS

AUSTIN AVE

Solar Panels

Flower Circuit

BUILDING F

Flower Circuit

Flower Circuit

BUILDING H

KERRUISH AVE

BUILDING J

South Road

BUILDING T

BUILDING G

BUILDING Q

PROVIDORES

Railway Parade

Centre Road

BUILDING A

Second Ave



CAR PARK V
EXTENSION



BANANA MAP



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