



JOHN PEARSON - *Chairman*

BOARD OF DIRECTORS (L-R)

DAVID WHITEMAN - *Expertise Director*

MARIO MESSINA - *Nominee Director Retail Markets*

BILL LYNCH - *Expertise Director*

SAM LENTINI - *Nominee Director Growers Market*

SHAUN M'INERNEY - *Nominee Director Wholesale Market*

JOHN OLIVIERI - *Nominee Director Flower Market*

COS CREMONA - *Nominee Director Warehouse*

DAVID HYNES - *Independent Director*



BRADLEY LATHAM - *Chief Executive Officer*

SENIOR MANAGEMENT (L-R)

NED TESIC - *Public Relations and Brand Manager*

MICHAEL GOLDEN - *Chief Financial Officer / Company Secretary*

SHANE CHESTER - *Head of Special Projects*

JOHN PASCUCCI - *Head of Operations*

annual report

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30 June 2019

SYDNEY MARKETS LIMITED
ABN 51 077 119 290
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

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joint message from the Chairman & CEO

JOINT MESSAGE FROM THE CHAIRMAN & CHIEF EXECUTIVE OFFICER

We are pleased to present the 2018/2019 Sydney Markets Limited (SML) Annual Report.

Sydney Markets continues to be one of the most successful wholesale fruit, vegetable, flower and retail Markets in the world and has an outstanding reputation both domestically and internationally. It continues to play a significant role in the Horticultural Industry and in the economy of NSW and Australia.

To ensure the business is relevant to both today's needs and future needs, the Board and Senior Managers of Sydney Markets Limited (SML) set five-year Strategic Plans which are monitored quarterly and reviewed in detail every three years. The current plan revises the 2016-2021 plan and establishes clear goals and initiatives for SML over the period 2019-2024.

Our plan was formed through an extensive stakeholder interview process to gain their views and vision on a wide range of topics. It has resulted in a plan that will focus on introducing more improvements and efficiencies to our sites at Flemington and Haymarket, in particular in the areas of infrastructure, logistics, innovation and technology, to maintain our relevance in the supply chain and continue to be a world leader in Central Market and Retail Market operations well into the future.

The revised plan presents five strategic imperatives aimed at improving the environment we operate in, seizing growth opportunities and creating positive outcomes for the future.

It is an exciting and challenging plan which aims to deliver value to all Market stakeholders.

FINANCIALS

The 2018/2019 Financial Year has resulted in another strong financial performance for SML as outlined below:

- Profit before income tax was \$15.4 million (2018: \$7.9 million).
- Profit after tax of \$10.8 million. (2018: \$5.7 million).
- Other Income derived from sale of properties amount to \$8.5 million (2018: \$1.7 million).
- The total capital expenditure for the year was \$18.3 million (2018: \$17.0 million). This was driven by new warehouse construction and other infrastructure upgrades.
- Borrowings decreased to \$25 million (2018: \$29 million).

STRATEGIC

Market opportunities

- The Future of the Markets Project continues to progress and has involved gaining a clear understanding of the long-term needs and future use requirements of the existing Flemington site and providing an optimal model for an 'ideal' future markets operation. There are no plans to relocate from our current site. Sydney Markets will continue to operate from its Flemington site for the foreseeable future.

Our Market remains one of the best in the world and improvements will continue over time to ensure the Market remains an extremely efficient operation.

High level negotiations with Government representatives were initiated in 2018 and are continuing with a view to gaining an understanding of how the NSW Government can assist SML with the acquisition of land for a possible future Market operation. This culminated in the signing of a non binding Memorandum of Understanding (MoU) between Sydney Markets Limited and the New South Wales Government on 14th November 2018 outlining an intention to advance SML's strategic vision to secure the future of Sydney Markets and investigate opportunities within the Agribusiness Precinct being developed in the Western Sydney Aerotropolis. This was a significant step forward in securing the future of Sydney Markets which supports SML's stakeholders as well as its long-term business plans and is about providing the best environment for the Sydney Markets community to grow and prosper into the future.

joint message from the Chairman & CEO

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

Working alongside the NSW Government we will consider options for the future of the Markets that promote growth, align with the changing landscape of Sydney and support the best interests of our traders, growers, suppliers and stakeholders.

We welcome the support of the NSW Government in recognising Sydney Markets as an integral part of the fabric of Sydney. We look forward to working collaboratively to ensure a mutually beneficial outcome for all Sydney Markets stakeholders and the wider Sydney community.

Trade Mission to Singapore

- SML's Chairman, CEO and Head of Special Projects, accompanied by representatives from NSW Government and PricewaterhouseCoopers attended a Trade Mission to Singapore arranged by the NSW Government's Western City & Aerotropolis Authority during the week commencing 11th February 2019.

The purpose of the Trade Mission was to inspect and tour the Changi Airport Agri-Business precinct. This trip culminated in a dinner hosted by the Australian High Commissioner to Singapore.

Overseas Benchmarking & Study Tour

- SML's Chairman, CEO, Head of Special Projects and a number of SML Directors, together with representatives from PricewaterhouseCoopers and the NSW Department of Primary Industries, travelled to the Netherlands in May 2019 to undertake a study tour. This included Market benchmarking, tours of various facilities and investigation of technology used at the Agri-business precinct and Trade Park at Amsterdam's Schiphol Airport, the Aalsmeer Florist Market, and other industries in Rotterdam and Amsterdam. The SML Directors who attended self-funded their travel costs.

The itinerary also encompassed benchmarking various retail markets and the Rungis Market in Paris.

Securing the Future of Paddy's Haymarket

Paddy's Haymarket Masterplan

SML is investing significant funds towards a number of projects developed under the Paddy's Haymarket Master Plan to improve and rejuvenate the Market. During the reporting period a number of Base Building projects were completed including:

- Relocation of the Paddy's Haymarket Office to the Market entrance at Thomas Street to provide improved service for traders and Market visitors.
- Upgrade of North Quay Street Entry & South Quay Street Entry to promote pedestrian movements and improve signage, lighting and finishes.
- Upgrade of the public restroom amenities to bring them up to current building standards and provide better facilities for traders and customers.

Another major development for Paddy's Haymarket is the new Food & Specialty Retail Precinct which will be situated in a new, thriving precinct adjacent to the Light Rail and new Darling Square residences. The Precinct will provide exciting opportunities for take-away food traders to improve the food offering and will include new communal seating, kids play area, cooking demonstration and student zones, with specialty retail stands such as baker, newsagent, barber and nail artists.

Paddy's Flemington Strategy

- SML is continuing with initiatives developed under the Paddy's Flemington Strategic Plan which aim to improve occupancy rates on Friday and Sunday, whilst reinforcing the strong trade on Saturday.

A program of theme-based events and special interest offerings has been implemented at Paddy's Markets Flemington to drive specific demographic groups to the Market and increase foot traffic, particularly on Fridays and Sundays.

joint message from the Chairman & CEO

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

Prime examples of such events include the Foodie Fridays at Flemington, Sydney Kings Skills Clinic, Meet and Greet events with prominent sporting personalities, Petting Zoo, Excess Stock Clearances, Cooking Demonstrations coinciding with Paddy's 'Pick Pod Plate' Podcast, Show and Shine Car Shows and Auto Club meets, Country & Western Hoedown to support drought-affected NSW Farmers and various themed Pop-Up events.

SML is also introducing the Paddy's Savvy Trader Program which forms part of the initiative to create an ambient Market environment and memorable customer experience and will be a collaborative effort with our Paddy's Traders. The Paddy's Savvy Trader Quarterly Award will be rolled out as part of a series of initiatives designed to assist in maintaining standards in Market Stand displays and product quality.

CORPORATE

SML Directors

- Mr David Hynes was re-appointed by the Board as Independent Director for a further term of three years effective from November 2018.

Mr Billy Lee retired from the Board in June 2019. Mr Lee worked tirelessly in his representation on behalf of the Growers category. We would like to thank Mr Lee for his effort and dedication and wish him well for the future.

Mr Cos Cremona was re-elected as Nominee Director for the Warehouse category and Mr Sam Lentini was elected as Nominee Director for the Growers category. Both appointments were effective July 2019 for a term of three years.

We congratulate Mr Hynes, Mr Cremona and Mr Lentini on their appointments.

Regional Industry Visit – Darwin

- In September 2018 the SML Board of Directors and Senior Management team travelled to Darwin, NT for their most recent Regional Industry Visit which centred on mangoes, engaging directly with growers and hearing first-hand about issues facing the industry.

With almost half of Australia's mangoes produced in the Northern Territory, the group visited mango farms where they met the growers and toured the facilities.

At Sydney Markets, we pride ourselves on building and maintaining strong relationships with our supply partners. It is vitally important that we develop a strong understanding of Australia's produce growing regions and the challenges faced by growers. It is our job to provide a central marketplace which supports the interests of the whole supply chain.

Our visit received strong print, radio and television coverage in both state and local media.

MARKETING

The Fresh Awards

- SML is pleased to have conducted the fourth year of the Fresh Awards, our successful awards program recognising the achievements of businesses who trade in the Markets.

The Fresh Awards brings together Sydney Markets' long running greengrocer and florist retail excellence programs, which were expanded to include fruit and vegetable growers and wholesalers, flower growers and bloggers who champion fresh produce and the people grow or sell fruit, vegetable or flowers.

The 2019 Fresh Awards gala event took place at the Star Event Centre July 2019, where the winners in each of the 15 award categories were announced.

SML congratulates the businesses and individuals who participated in the program, and especially those who made it through as finalists and winners. It was once again tremendous to see the different sectors of our industry come together for an evening to celebrate and acknowledge the efforts of all involved.

joint message from the Chairman & CEO

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

Fresh for Kids Program

- The Sydney Markets Fresh for Kids Program was introduced twenty years ago to help school aged children achieve a healthy lifestyle by encouraging them to eat plenty of fresh fruit and vegetables and by participating in physical activity.

Fresh for Kids have continued working with the Department of Education to ensure that all content on the website aligns with the current curriculum. The website includes the Farm to Plate animation featuring the Fresh for Kids Fruit & Veggie Gang, along with further educational resources, nutritional information and healthy recipe ideas.

The Canteen Campaign continues as an integral part of the Fresh for Kids initiative. The campaign encourages schools to register and reward students for making healthy purchases at their school canteens or bringing fruit or vegetables from home. In 2019 more than 669 schools registered for the seven-week program, once again confirming that Fresh for Kids remains one of the most successful healthy eating campaigns targeted at children in Australia.

Paddy's Night Food Markets

- The Paddy's Night Food Market held on the first Saturday of each month continues to gain popularity from food traders and patrons. The event attracts an array of Food Traders selling a great selection of culinary offers to cater for the visitors during the evening. A monthly automotive Show & Shine is also held during the Night Food Market which showcases up to 300 cars and motorbikes.

SITE IMPROVEMENTS

Sydney Markets Central

- In a continued effort to improve the standard of communication between SML and Market stakeholders, a new multi-purpose building was designed and constructed in early January 2019 and was officially opened in March 2019.

The facility referred to as Sydney Markets Central is located on Centre Road, providing convenient and easy access for stakeholders and Market visitors. It consists of a number of self-service kiosks for completing transactions, WHS inductions and accessing general Market information, as well as a large conference room ideal for workshops, Market tours and inductions.

Parramatta Road Frontage

New Warehouse Z

- Construction of the new 4,550m² Warehouse Z adjacent to the Service Station on Parramatta Road is nearing completion, ready for the internal fit-out by Veggie World Pty Ltd who are expected to take up occupation in late December 2019.

The new Warehouse Z building will also include two storeys (2,800m²) of commercial office space above the warehouse which will be available for lease on completion.

Site Infrastructure

Relocation of Switch Rooms – Buildings A, B & C

- The third and final stage of the upgrade of electrical switch rooms located in the buyer's walkways in Buildings A, B and C is underway, with relocation of the Building A switch rooms nearing completion. The old 'End of Life' bunker-style switch rooms are being demolished and replaced by one new switch room which is being constructed to the external south side the building. This will create:
 - Additional produce display area
 - Improved telecommunications
 - Improved Work Health & Safety
 - Improved buyer experience

The project is on track for completion by December 2019.

joint message from the Chairman & CEO

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

Large-Bladed Fans – Buildings D & F

- Installation of 18 large-bladed fans for Building D was completed in late 2018 prior to the busy and hot Christmas period, with another six fans installed in the Flower Market in February 2019. These fans provide improved thermal comfort and positive feedback has been received from both traders and customers.

Large LED TV Screens – Buildings D & F and ABC Buyers Walkways

- Following the successful rollout of the large TV screens in Building D, another large screen has been installed in the Flower Market and additional screens have been installed in the Buyers walkways of Buildings A, B & C.

These screens will display SML Media releases and other important messages.

Ongoing Road Maintenance

- Extensive roadway repairs and maintenance works have continued during the reporting period.

Further works will continue to be carried out over the next 12 months in line with our comprehensive repair and maintenance program.

Other projects

A number of other projects have been undertaken recently, including:

- Pavement and ceiling tile replacement throughout the ground floor of Sydney Markets Plaza.
- Fit-out for the new Markets Medical and Dental Centre at Sydney Markets Plaza.
- Installation of new pedestrian turnstile on the eastern side of Building D.
- Aged and damaged asphalt pavement on the ground level of Car Park Y removed and replaced with concrete – replacement works completed in six stages, minimising inconvenience to stakeholders.

OPERATIONS

Transshipping Subcommittee

- The SML Board has formed a Transshipping Subcommittee that meets regularly to gain a better insight on the identification process of pallets not intended for sale in the central market system. Transport companies that have been identified as transshipping onsite have been contacted to set up meetings so that they can better understand the Sydney Markets Conditions of Entry and to possibly curb to the practice of transshipping on site.

Pallet Committee

- Following concerns raised by Market Stakeholders, SML has established a Pallet Committee consisting of Industry Representatives together with CHEP Australia personnel that meets regularly with SML Management to address issues and assist our Stakeholders in providing effective solutions for managing pallets on site.

Work Health and Safety

- SML treats matters of safety with the utmost importance at all times and dedicates significant time and resources into adopting and upholding safe work practices, as well as educating stakeholders. We remain vigilant in enforcing Work Health and Safety laws and are in constant communication with SafeWork NSW, Roads & Maritime Services and the NSW Police to support those efforts.

Work Health & Safety Initiatives

Work Health & Safety initiatives implemented during the reporting period include:

- **WHS Induction Kiosk**

SML has installed electronic WHS Induction kiosks at the Sydney Markets Control Centre at Flemington and at Paddy's Haymarket which enables stakeholders to access and conduct the Sydney Markets WHS Induction and sign in/out. The easy to use touch screen process has proven beneficial in streamlining Contractors' inductions and provides stakeholders with a clearer understanding of the site. At the completion of each process, the kiosk generates an adhesive 'Visitor' or 'Contractor' label that can easily be placed on clothing and sighted by SML staff when required.

joint message from the Chairman & CEO

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

• Road Safety Improvements Outside the Main Entry to Sydney Markets

Management met with Roads & Maritime Services (RMS) in April 2019 in relation to safety concerns raised by SML regarding the intersections of Austin Avenue, Marlborough Road and Centenary Drive. Following the visit, RMS has arranged for a number of improvements to be implemented to enhance the safety of the intersection.

• GPS Speed Limiter Trial

SML successfully completed a six-week trial of the use of a GPS Speed Limiter device on one of our forklifts in August 2018. Results of the trial established that the device functions as anticipated, whereby the vehicle's speeds are automatically adjusted according to the set speed zones throughout the Market (10kph undercover and 20kph in open areas).

The device is now being trialled by one of the Sydney Markets Wholesale tenants over a four-week period to obtain stakeholders' opinions on the impact of the device to their business.

Should the outcome of this phase of the trial be positive, which it is expected to be, SML will begin to promote the adoption of the GPS Speed Limiter system to our Market stakeholders.

SML maintains ongoing communication and consultation with Market stakeholders on all aspects of Work Health & Safety.

Environmental

- Reflecting its role in the sustainable management and conservation of Australia's environment, SML is committed to minimising its own ecological footprint by pursuing environmental best practice and the prevention of pollution in all operations. This is highlighted by our continued focus of solar panel installation and a 70% recycling rate for waste generated on site.
- Since the introduction of our Green Point Facility in August 2005, the waste disposal initiatives introduced by SML have resulted in a saving of \$35 million compared to if the waste had been sent to landfill.

Reverse Vending Machine

- The Reverse Vending Machine (RVM) located in the Plaza Shoppers Car Park is working well, collecting eligible beverage containers for recycling in exchange for a refund of 10¢ per item.

Over 4.1 million containers have been deposited in the machine since it was installed in March 2018.

This initiative continues to promote SML's Sustainability profile and benefits the environment by reducing the number of containers ending up in landfill.

Foodbank – Food Waste Collection

- SML is proud to continue our support Foodbank, Australia's largest hunger relief organisation. In the twelve months from July 2018 to June 2019 they collected approximately 1,500 tonnes of edible but surplus fruit and vegetables that would otherwise be discarded from Market businesses.

Other food rescue charity organisations are also collecting from the Markets, including SecondBite, Reach Out and St Merkorious Charity.

Assistance to Drought-Affected Farmers

- The SML Green Point Team has been assisting as many drought-affected NSW farmers as possible by supplying organic waste to feed livestock. Between July 2018 and June 2019 Sydney Markets provided approximately 9,000 tonnes of organic waste through Green Point to more than 30 farmers.

Several Wholesalers and Flemington Unloading Services are delivering organic waste to farmers in need. Additionally, farmers are collecting organic waste direct from Wholesalers before it is being sent to Green Point.

joint message from the Chairman & CEO

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

Green Globe Awards

- At the 2018 Green Globe Awards presentation hosted by the NSW Office of Environment & Heritage and the NSW Environment Protection Authority in October 2018, Sydney Markets Limited was announced as the winner in the Business Leadership Award category in recognition of a continued effort to improve the environmental outcomes of the business.

The Green Globe Business Leadership Award, open to NSW small, medium and large businesses, recognises outstanding NSW businesses that have integrated sustainable practices in all parts of their organisation from planning and operations to service and product delivery, adding commercial value to their business as well as achieving environmental outcomes.

Green Globe is the highest standard for environmental sustainability worldwide. Achieving this prestigious award continues to improve the sustainability profile of Sydney Markets.

OTHER NEWS

Sydney Markets Foundation

- The Sydney Markets Foundation continues to raise funds for those in need, highlighted this year by the 2018 Cherry Auction which was held at Sydney Markets on Wednesday 14th November in support of Save our Sons Duchenne Foundation. The generosity of the Markets community was obvious again this year, with Bobby Tesoriero from HWY Fruits being the successful bidder for the 'first box' of cherries to officially kick off the stone fruit season.

Industry Participation

- SML's focus on Industry participation continued over the past twelve months through Chairman, John Pearson and CEO, Brad Latham attending a range of events, including:
 - Asia Fruit Congress & Asiafruit Logistica – Hong Kong – September 2018
 - Hort Connections Conference – Melbourne, Victoria – June 2019
 - Central Markets Association of Australia Meeting – Melbourne, Victoria – June 2019

In conclusion, we acknowledge that completing the extensive range of initiatives, undertakings and achievements outlined above has only been possible due to the collaboration, participation and cooperation of all Stakeholders throughout the Sydney Markets community, which is highly valued and much appreciated by the Board, Management and Staff at SML

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 once again look forward to another strong performance for the 2019-2020 year.



MR BRADLEY LATHAM
CHIEF EXECUTIVE OFFICER



MR JOHN PEARSON
CHAIRMAN

Directors' report

Your Directors present their report on Sydney Markets Limited (the company) for the year ended 30 June 2019.

DIRECTORS

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

Mr John C. Pearson	(Chairman)
Mr William W. Lee	(Deputy Chairman from 16 August 2017 to 16 August 2018, Director to 17 June 2019)
Mr David J. Whiteman	
Mr William L. Lynch	
Mr Cosimo Cremona	(Deputy Chairman from 21 August 2019)
Mr David W. Hynes	
Mr Alvisio (John) Olivieri	
Mr Shaun M. McInerney	
Mr Mario J. Messina	(Deputy Chairman from 16 August 2018 to 21 August 2019)
Mr Samuel L. Lentini	(Director from 17 July 2019)

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

PRINCIPAL ACTIVITIES

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

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

REVIEW OF OPERATIONS

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

DIVIDENDS – SYDNEY MARKETS LIMITED

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

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

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Directors are unaware of any significant event or development in the operations of Sydney Markets Limited and the expected results of those operations in future financial years, which will significantly change the state of affairs of Sydney Markets Limited or its shareholders.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Directors are not aware of any matter or circumstance that has arisen since 30 June 2019 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 2019.

INFORMATION ON DIRECTORS

Mr John C. Pearson

Experience and expertise

Other current directorships

SML Committees

Interests in shares

– Non-Executive Director & Chairman

- Board Member since 2003
- Deputy Chairman from September 2004 to May 2005
- 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.
- Director of R.P. Cricket Pty Ltd – T/A Randwick Petersham Foundation
- Finance and Audit, Remuneration, Master Plan, Retail Markets Sub Committee
- Nil

Mr William W. Lee

Experience and expertise

Other current directorships

SML Committees

Interests in shares

– Non-Executive Nominee Director – Growers Market

- Board Member since 26 October 2011 to 17 June 2019
- Deputy Chairman from 16 August 2017 to 16 August 2018
- Over 58 years experience in the growers industry
- Lee Bong Bros Pty Ltd
- Nil
- 3 Retail Markets Ordinary Shares, 2 Growers Market Ordinary Shares and 1 Warehouse Ordinary Share

Mr David J. Whiteman

Qualifications

Experience and expertise

Other current directorships

SML Committees

Interests in shares

– Non-Executive Expertise Director

- BA (Macquarie University) majoring in Economics & Financial Studies
- Board member from 19 August 2015 and from 21 July 2004 to 17 July 2013
- Deputy Chairman from 23 July 2009 to 25 August 2010
- Over 49 years experience in the fruit and vegetable industry
- Director of C J Lewis Pty Ltd
- Director of Mount View (Orchards Batlow) Pty Ltd
- Director of Davic Investments Pty Ltd
- Director of Teleen Pty Ltd
- Finance and Audit
- Nil

Directors' report

INFORMATION ON DIRECTORS (continued)

Mr William L. Lynch	– Non-Executive Expertise Director
Experience and expertise	<ul style="list-style-type: none"> – Board Member since 1998 – Deputy Chairman from September 2000 to November 2001 and from May 2005 to May 2006 – Over 61 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
Mr Cosimo Cremona	– Non-Executive Nominee Director – Warehouses
Experience and expertise	<ul style="list-style-type: none"> – Board Member from 17 July 2013 and from 24 July 2002 to 13 July 2011 – Deputy Chairman from 21 August 2019 and from May 2006 to August 2007 – Over 39 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 David W. Hynes	– Non-Executive Independent Director
Qualifications	– B.Ec / LL.B (Sydney Uni)
Experience and expertise	<ul style="list-style-type: none"> – Board Member since 2005 – Deputy Chairman from 17 August 2011 to 15 August 2012 and from 20 August 2014 to 19 August 2015
Other current directorships	<ul style="list-style-type: none"> – 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 Alvisio (John) Olivieri	– Non-Executive Nominee Director – Flower Market
Experience and expertise	<ul style="list-style-type: none"> – Board Member since July 2008 – Deputy Chairman from 19 August 2015 to 17 August 2016 – Over 47 years involvement in the Australian horticulture industry – President of the Commercial Cut Flowers Growers Association of NSW for 15 years – Former Vice President of NSW Flower Growers Association
Other current directorships	– Director of A & L Property Developments Pty Ltd
SML Committees	– Master Plan
Interests in shares	– 4 Flower Market Ordinary Shares

Directors' report

INFORMATION ON DIRECTORS (continued)

Mr Shaun M. McInerney	– Non-Executive Nominee Director – Wholesale
Experience and expertise	<ul style="list-style-type: none">– Board Member since July 2011– Deputy Chairman from 17 August 2016 to 16 August 2017– Over 37 years experience in the fruit and vegetable industry
Other current directorships	<ul style="list-style-type: none">– Director Fresh Fellas Pty Limited
SML Committees	<ul style="list-style-type: none">– Environment Management, Master Plan
Interests in shares	<ul style="list-style-type: none">– 8 Retail Markets Ordinary Shares, 4 Wholesale Market Ordinary Shares, 2 Warehouse Ordinary Share and 1 Growers Market Ordinary Share
Mr Mario J. Messina	– Non-Executive Nominee Director – Retail Markets
Qualifications	<ul style="list-style-type: none">– Diploma – Marketing
Experience and expertise	<ul style="list-style-type: none">– Board Member since 18 July 2012– Deputy Chairman from 16 August 2018 to 21 August 2019– Over 32 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	<ul style="list-style-type: none">– Nil
SML Committees	<ul style="list-style-type: none">– Environment Management, Master Plan, Retail Markets Sub Committee
Interests in shares	<ul style="list-style-type: none">– 8 Retail Markets Ordinary Shares
Mr. Samuel L. Lentini	– Non-Executive Nominee Director – Growers Market
Experience and expertise	<ul style="list-style-type: none">– Board Member since July 2019– Over 19 years experience at Sydney markets
Other current directorships	<ul style="list-style-type: none">– Nil
SML Committees	<ul style="list-style-type: none">– Nil
Interests in shares	<ul style="list-style-type: none">– Nil

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 19 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 2019 and Directors' attendances at these meetings were as follows:

	Full meetings of Directors		Finance & audit committee meetings	
	A	B	A	B
Mr John C. Pearson (Chairman)	13	13	4	4
Mr William W. Lee	13	12	—	—
Mr David J. Whiteman	13	12	4	3
Mr William L. Lynch	13	12	4	2
Mr Cosimo Cremona	13	13	—	—
Mr David W. Hynes	13	13	—	—
Mr Alvisio (John) Olivieri	13	13	—	—
Mr Shaun M. McInerney	13	13	—	—
Mr Mario J. Messina	13	13	—	—

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

B = Number of meetings attended

DIRECTORS AND OFFICERS REMUNERATION

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

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

<i>Key Management Personnel</i>	<i>Position</i>
Mr Bradley R. Latham	Chief Executive Officer
Mr Michael W. Golden	Chief Financial Officer/Company Secretary
Mr Shane R. Chester	Head of Special Projects
Mr John Pascucci	Head of Operations

Directors' report

DIRECTORS AND OFFICERS REMUNERATION (continued)

A Principles used to determine the nature and amount of remuneration

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

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

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

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

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

Directors' fees are determined within an aggregate Directors' fee pool limit. The pool limit for the 2019 year was \$527,132 (2018: \$517,163) 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.

2019

Name	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Total \$	Performance related %
Non-executive Directors						
Mr John C. Pearson (Chairman)	113,779	–	11,950	10,809	136,538	0.00
Mr William L. Lynch	47,237	–	1,200	–	48,437	0.00
Mr Alvisio (John) Olivieri	43,035	–	1,200	4,202	48,437	0.00
Mr Shaun M. McInerney	43,035	–	1,200	4,202	48,437	0.00
Mr David W. Hynes	43,035	–	1,200	4,202	48,437	0.00
Mr David J. Whiteman	43,035	–	1,200	4,202	48,437	0.00
Mr William W. Lee	43,035	–	1,200	4,202	48,437	0.00
Mr Mario J. Messina	43,035	–	1,200	4,202	48,437	0.00
Mr Cosimo Cremona	43,035	–	1,200	4,202	48,437	0.00
Total	462,261	–	21,550	40,223	524,034	–

Directors' report

DIRECTORS AND OFFICERS REMUNERATION (continued)

B Details of remuneration (continued)

2019

Name	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Total \$	Performance related %
Other key management personnel						
Mr Bradley R. Latham	288,025	10,000	64,649	25,077	387,751	2.60
Mr Michael W. Golden	167,800	8,000	25,172	16,701	217,673	3.80
Mr Shane R. Chester	125,927	8,000	26,613	12,723	173,263	4.80
Mr John Pascucci	89,142	4,000	8,432	8,849	110,423	3.80
Total	670,894	30,000	124,866	63,350	889,110	
Total	1,133,155	30,000	146,416	103,573	1,413,144	

2018

Name	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Total \$	Performance related %
Non-executive Directors						
Mr John C. Pearson (Chairman)	113,779	–	12,825	10,811	137,415	–
Mr William L. Lynch	46,272	–	1,200	–	47,472	–
Mr Alvisio (John) Olivieri	42,150	–	1,200	4,118	47,468	–
Mr Shaun M. McInerney	42,150	–	1,200	4,118	47,468	–
Mr David W. Hynes	42,150	–	1,200	4,118	47,468	–
Mr David J. Whiteman	42,150	–	1,200	4,118	47,468	–
Mr William W. Lee	42,150	–	1,200	4,118	47,468	–
Mr Mario J. Messina	42,150	–	1,200	4,118	47,468	–
Mr Cosimo Cremona	42,150	–	1,200	4,118	47,468	–
Total	455,101	–	22,425	39,637	517,163	
Other key management personnel						
Mr Bradley R. Latham	282,173	10,000	56,113	24,074	372,360	2.7
Mr Michael W. Golden	164,512	8,000	24,673	16,389	213,574	3.7
Mr Shane R. Chester	124,685	6,000	26,427	12,414	169,526	3.5
Mr Brian W. Bigelow	100,983	–	16,429	9,594	127,006	–
Mr Martin J. Forster	127,500	7,500	–	25,000	160,000	4.7
Total	799,853	31,500	123,642	87,471	1,042,466	
Total	1,254,954	31,500	146,067	127,108	1,559,629	

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.

2019	Balance at the start of the year or on date of appointment	Changes during the year	Balance at end of the year
Name			
Directors of Sydney Markets Limited			
Ordinary shares			
Mr William L. Lynch	6	–	6
Mr Alvisio (John) Olivieri	4	(1)	3
Mr Shaun M. McInerney	15	2	17
Mr William W. Lee	6	1	7
Mr Mario J. Messina	8	–	8

2018	Balance at the start of the year or on date of appointment	Changes during the year	Balance at end of the year
Name			
Directors of Sydney Markets Limited			
Ordinary shares			
Mr William L. Lynch	6	–	6
Mr Alvisio (John) Olivieri	4	–	4
Mr Shaun M. McInerney	15	–	15
Mr William W. Lee	6	–	6
Mr Mario J. Messina	8	–	8

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.

	2019 \$	2018 \$
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)	351,295	391,107
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)	20,000	59,645

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

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

Directors' report

CORPORATE GOVERNANCE STATEMENT

Board composition

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

Directors' shareholdings

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

Directors' committees

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

Ethical standards

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

Insurance of officers

During the financial year, Sydney Markets 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 18.

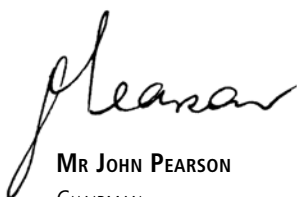
ROUNDING OF AMOUNTS

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

AUDITOR

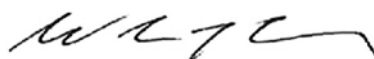
PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

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



MR JOHN PEARSON
CHAIRMAN

Sydney
18 September 2019



MR WILLIAM L LYNCH
DIRECTOR

Auditor's independence declaration



Auditor's Independence Declaration

As lead auditor for the audit of Sydney Markets Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Sydney Markets Limited.

A handwritten signature in black ink, appearing to read 'S.T. Maher', written over a light grey background.

Shannon Maher
Partner
PricewaterhouseCoopers

Sydney
18 September 2019

PricewaterhouseCoopers, ABN 52 780 433 757

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financial report

contents

30 June 2019

SYDNEY MARKETS LIMITED
ABN 51 077 119 290
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

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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 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 17, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 18 September 2019. The Directors have the power to amend and reissue the financial statements.

statement of comprehensive income

for the year ended

30 June 2019

	Notes	2019 \$'000	2018 \$'000
Revenue from continuing operations	5	59,184	58,350
Other income	6	8,461	1,747
Property cost		(27,111)	(26,032)
Payroll cost		(6,683)	(6,750)
Repairs and maintenance		(5,886)	(6,117)
Management and administration cost		(1,359)	(1,226)
Advertising and promotion		(4,218)	(3,859)
Professional fee		(1,200)	(2,935)
Depreciation expense	7	(4,795)	(4,188)
Finance expense	7	(1,282)	(1,311)
Total expenses from continuing operations		(52,534)	(52,418)
Theoretical valuation gain on derivatives		252	282
Profit before income tax		15,363	7,961
Income tax expense	8	(4,593)	(2,280)
Profit for the year		10,770	5,681
Other comprehensive income			
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year		10,770	5,681
Profit is attributable to:			
Owners of Sydney Markets Limited		10,770	5,681
Total comprehensive income for the year is attributable to:			
Owners of Sydney Markets Limited		10,770	5,681

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

balance sheet

as at

30 June 2019

	Notes	2019 \$'000	2018 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	10	6,608	7,231
Trade and other receivables	11	13,957	14,085
Assets classified as held for sale	9	–	7,521
Total current assets		20,565	28,837
Non-current assets			
Property, plant and equipment	13	147,354	133,917
Total non-current assets		147,354	133,917
Total assets		167,919	162,754
LIABILITIES			
Current liabilities			
Trade and other payables	15	10,204	7,765
Borrowings	18	–	29,000
Derivative financial instruments	12	72	323
Current tax liabilities	16	468	583
Employee benefit obligations		1,487	1,505
Other liabilities	17	9,011	12,758
Total current liabilities		21,242	51,934
Non-current liabilities			
Borrowings	18	25,000	–
Derivative financial instruments	12	–	1
Deferred tax liabilities	20	5,488	5,353
Employee benefit obligations		130	177
Total non-current liabilities		30,618	5,531
Total liabilities		51,860	57,465
Net assets		116,059	105,289
EQUITY			
Contributed equity	21	7	7
Retained earnings	22	116,052	105,282
Total equity		116,059	105,289

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

statement of changes in equity

for the year ended

30 June 2019

	Contributed equity \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2017	7	99,601	99,608
Profit for the year	–	5,681	5,681
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	5,681	5,681
Balance at 30 June 2018	7	105,282	105,289
Balance at 1 July 2018	7	105,282	105,289
Profit for the year	–	10,770	10,770
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	10,770	10,770
Balance at 30 June 2019	7	116,052	116,059

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 2019

	Notes	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		62,164	69,446
Payments to suppliers and employees (inclusive of goods and services tax)		(50,725)	(51,151)
		11,439	18,295
Interest received		43	199
Interest paid		(1,282)	(1,311)
Income taxes paid		(4,573)	(2,076)
Net cash inflow from operating activities	31	5,627	15,107
Cash flows from investing activities			
Payments for property, plant and equipment	13	(18,280)	(13,618)
Proceeds from sale of property, plant and equipment		48	2,441
Proceeds from sale of assets held for sale		15,982	176
Net cash (outflow) from investing activities		(2,250)	(11,001)
Cash flows from financing activities			
Repayment of borrowings		(4,000)	–
Net cash (outflow) inflow from financing activities		(4,000)	–
Net (decrease) increase in cash and cash equivalents		(623)	4,106
Cash and cash equivalents at the beginning of the half-year		7,231	3,125
Cash and cash equivalents at the end of the year	10	6,608	7,231

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 2019

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notes to the financial statements

for the year ended

30 June 2019

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 the first time in their annual reporting period commencing 1 July 2018:

- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
- Interpretation 22 Foreign Currency Transactions and Advance Consideration.

The company had changed its accounting policies following the adoption of AASB 9 and AASB 15 however the amendments did not have any impact on the amounts recognised in prior years and are not expected to significantly affect the current or future years.

(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) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the company. The company's assessment of the impact of these new standards and interpretations is set out below.

(v) AASB 16 Leases (effective 1 January 2019)

The AASB has issued the new standard AASB 16 which replaced AASB 117 *Leases*. The new standard requires all lessees to recognise an asset (for the right to use the leased item) and a liability (obligation to pay rentals) for the present value of the minimum lease payments due under the lease term. This applies to all leases, except those with a maximum term of up to 12 months.

Transition methods – On transition, all existing leases will need to be reassessed and the new model will be applied using a fully retrospective approach. On adoption of AASB 16, the company will recognise lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*.

As at the reporting date, the company has operating lease commitments of \$92.8 million as disclosed in note 27. The company expects to recognise right-of-use assets of approximately \$39.7 million on 1 July 2019, lease liabilities of \$53.9 million and deferred tax assets of \$4.2 million. Overall net assets will be approximately \$9.9 million lower, and net current assets will be \$0.8 million lower due to the presentation of a portion of the liability as a current liability.

The company expects that net profit after tax will decrease by approximately \$0.8 million for year ended 30 June 2020 as a result of adopting the new rules.

The company expects to adopt AASB 16 from 1 July 2019.

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

notes to the financial statements

for the year ended

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(vi) Critical accounting estimates

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

(b) Segment reporting

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

(c) Income tax

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

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

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

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

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

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

(d) Property, plant and equipment

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

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

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

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

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

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

(e) Leases

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

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

(f) Financial instruments

(i) 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.

(ii) Financial liabilities

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

(iii) 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'.

notes to the financial statements for the year ended

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

(iii) Derivative instruments (continued)

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.

(iv) 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.

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

(h) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 from providing services is recognised in the accounting period in which the services are rendered because the customer receives and uses the benefits simultaneously. Revenue from these services is recognised based on the price specified in the tenancy agreements.

Where the contracts include multiple performance obligations, transaction price will be allocated to each performance obligations based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on the expected cost plus margin. A contract liability is recognised when rental and other income is received in respect of periods subsequent to the reporting period.

Interest revenue is recognised using the effective interest method. All revenue is stated net of the amount of goods and service tax (GST).

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

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

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

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

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

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

notes to the financial statements for the year ended

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Trade and other receivables

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

The company applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables that considers the following:

- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

(o) Trade and other payables

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

(p) Borrowings

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

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

(q) Borrowing costs

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

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

(r) Contributed equity

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

(s) Promotional levies

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

(t) Goods and Services Tax (GST)

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

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 large number of debtors, this assessment is based on supportable past collection history and historical write-offs of bad debts.

3 CHANGES IN ACCOUNTING POLICIES

(a) AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies but did not result in any adjustments to the amounts previously recognised. The new accounting policies are set out below.

(i) Classification and measurement

On 1 July 2018 (the date of initial application of AASB 9), the company's management has assessed which business models apply to the financial assets held by the company and has classified its financial instruments into the appropriate AASB 9 categories. There was no impact on the amounts recognised in relation to these assets from the adoption of AASB 9.

(ii) Reclassifications of financial instruments on adoption of AASB 9

On the date of initial application, 1 July 2018, the financial instruments of the company were as follows, with no reclassifications noted:

	Measurement category		Carrying amount		Difference \$'000
	Original (AASB 139)	New (AASB 9)	Original \$'000	New \$'000	
Current financial assets					
Trade and other receivables	Amortised cost	Amortised cost	14,085	14,085	–
Cash and cash equivalents	Amortised cost	Amortised cost	7,231	7,231	–

notes to the financial statements

for the year ended

3 CHANGES IN ACCOUNTING POLICIES (continued)

(a) AASB 9 Financial Instruments (continued)

(iii) Impairment of financial assets

The company has two types of financial assets that are subject to AASB 9's new expected credit loss model:

- trade and other receivables
- cash and cash equivalents

The company was required to revise its impairment methodology under AASB 9 for each of these classes of assets. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Trade and other receivables

The company applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The company uses the incumbent process for calculating the loss allowances on trade receivables. Management believes that the incumbent approach to the loss allowances calculation is in accordance with AASB 9 and allows the recognition of the lifetime expected credit losses at every reporting date. As such, there has been no change to the impairment of trade receivables due to the implementation of AASB 9. Note 1(n) provides details about the calculation of the allowance.

(b) AASB 15 Revenue from Contracts with Customers

The company has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018. The adoption of AASB 15 has not resulted in any significant changes as to how revenue is recognised by the company.

AASB 15 replaces the provisions of AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which the company expects to be entitled in exchange for transferring goods or services to a customer. AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

In accordance with the transition provisions in AASB 15, the company has adopted the new rules retrospectively which did not have any material impact on the measurement and recognition of amounts disclosed in the financial report. The company's revenue recognition accounting policy (note 1(l)) has been changed to reflect the terminology of AASB 15.

4 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.

5 REVENUE

	2019 \$'000	2018 \$'000
Revenue from contracts with customers		
Rents	25,032	24,703
Dues and fees	16,533	16,906
Other operating revenue	14,302	13,435
Advertising and promotions	2,574	2,341
Consideration on transfer of licences and leases	598	650
Interest revenue	43	199
Other revenue	102	116
	59,184	58,350

30 June 2019

5	REVENUE (continued)	2019	2018
		\$'000	\$'000
(a)	Disaggregation of revenue from contracts with customers		
	Timing of revenue recognition		
	Over time	<u>59,184</u>	58,350
(b)	Assets and liabilities related to contracts with customers		
	Contract liabilities		
	Rents and other income received in advance	<u>3,654</u>	5,684
6	OTHER INCOME	2019	2018
		\$'000	\$'000
	Net gain on disposal of property, plant and equipment	<u>8,461</u>	1,747
7	EXPENSES	2019	2018
		\$'000	\$'000
	Profit before income tax includes the following specific expenses:		
	<i>Depreciation</i>		
	Buildings	2,204	2,183
	Plant and equipment	2,486	1,901
	Leasehold improvements	105	104
	Total depreciation	<u>4,795</u>	4,188
	<i>Finance costs</i>		
	Interest and finance charges paid to external parties	1,029	1,311
	<i>Rental expense relating to operating leases</i>		
	Minimum lease payments	<u>3,246</u>	3,171
8	INCOME TAX EXPENSE	2019	2018
		\$'000	\$'000
(a)	Income tax expense		
	Current tax	4,458	2,640
	Deferred tax	135	(360)
		<u>4,593</u>	2,280
	Deferred income tax expense included in income tax expense comprises:		
	(Increase) decrease in deferred tax assets (note 14)	(27)	1,382
	(Decrease) increase in deferred tax liabilities (note 20)	162	44
		<u>135</u>	1,426
(b)	Numerical reconciliation of income tax expense to prima facie tax payable		
	Profit from continuing operations before income tax expense	<u>15,363</u>	7,961
	Tax at the Australian tax rate of 30.0% (2018 – 30.0%)	4,609	2,388
	Adjustments from prior periods	(22)	(192)
	Permanent differences	6	84
	Income tax expense	<u>4,593</u>	2,280

notes to the financial statements for the year ended

9	ASSETS CLASSIFIED AS HELD FOR SALE	2019 \$'000	2018 \$'000
	The following assets were reclassified as held for sale as at 30 June 2019:		
	Assets classified as held for sale – Property, plant and equipment	–	7,521
10	CASH AND CASH EQUIVALENTS	2019 \$'000	2018 \$'000
	Current assets		
	Cash at bank and in hand	6,608	7,231
11	CURRENT ASSETS – TRADE AND OTHER RECEIVABLES	2019 \$'000	2018 \$'000
	Trade receivables	5,689	7,571
	Receivables invoiced in advance	4,094	3,227
	Provision for impairment of receivables (a)	(145)	(135)
		9,638	10,663
	Accrued income and other receivables	1,472	1,323
	Prepayments	2,847	2,099
		13,957	14,085
(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	135	125
	Provision for impairment recognised during the year	10	10
	Closing balance	145	135
(b)	Past due but not impaired		
	As at 30 June 2019, trade receivables of \$564,000 (2018: \$761,000) 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	303	294
	3 to 6 months	261	467
		564	761

30 June 2019

12 DERIVATIVE FINANCIAL INSTRUMENTS

2019
\$'000

2018
\$'000

Derivatives are only used for economic hedging purposes and not as trading or speculative investments. The group has the following derivative financial instruments:

Current liabilities

Interest rate collars	72	323
Total current derivative financial instrument liabilities	72	323

Non-current liabilities

Interest rate collars	–	1
Total non-current derivative financial instrument liabilities	–	1
Total derivative financial instrument liabilities	72	324

(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 40% (2018: 34%) 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.

Settlement of interest rate collars:	2019	2018
	\$'000	\$'000
Less than 1 year		
Max 6.81%, Min 3.75%	10,000	–
1 to 5 years		
Max 6.81%, Min 3.75%	–	10,000
	10,000	10,000

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

13 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 2017						
Cost	48,665	86,768	38,587	1,272	4,711	180,003
Accumulated depreciation	–	(22,804)	(30,900)	(1,031)	–	(54,735)
Net book amount	48,665	63,964	7,687	241	4,711	125,268
Year ended 30 June 2018						
Opening net book amount	48,665	63,964	7,687	241	4,711	125,268
Additions	–	282	352	11	12,973	13,618
Disposals	–	(72)	(143)	–	–	(215)
Transfers	–	–	4,807	227	(5,034)	–
Depreciation charge	–	(2,184)	(1,900)	(104)	–	(4,188)
Assets classified as held for sale	(356)	(210)	–	–	–	(566)
Closing net book amount	48,309	61,780	10,803	375	12,650	133,917
At 30 June 2018						
Cost	48,309	86,745	43,450	1,509	12,650	192,663
Accumulated depreciation	–	(24,965)	(32,647)	(1,134)	–	(58,746)
Net book amount	48,309	61,780	10,803	375	12,650	133,917
Year ended 30 June 2019						
Opening net book amount	48,309	61,780	10,803	375	12,650	133,917
Additions	–	477	1,060	–	16,743	18,280
Disposals	–	–	(48)	–	–	(48)
Transfers	(114)	3,519	4,982	–	(8,387)	–
Depreciation charge	–	(2,204)	(2,485)	(106)	–	(4,795)
Closing net book amount	48,195	63,572	14,312	269	21,006	147,354
At 30 June 2019						
Cost	48,195	90,653	49,275	1,509	21,006	210,638
Accumulated depreciation	–	(27,081)	(34,963)	(1,240)	–	(63,284)
Net book amount	48,195	63,572	14,312	269	21,006	147,354

30 June 2019

14 NON-CURRENT ASSETS – DEFERRED TAX ASSETS	2019	2018	
	\$'000	\$'000	
The balance comprises temporary differences attributable to:			
Provisions and accruals	620	593	
Set-off of deferred tax liabilities pursuant to set-off provisions (note 20)	(620)	(593)	
Net deferred tax assets	–	–	
	Provisions and accruals \$'000	Derivative financial instrument \$'000	Total \$'000
Movements:			
At 1 July 2017	1,793	182	1,975
(Charged)/credited			
– to profit or loss	(1,200)	(182)	(1,382)
At 30 June 2018	593	–	593
At 1 July 2018	593	–	593
(Charged)/credited			
– to profit or loss	27	–	27
At 30 June 2019	620	–	620
	2019	2018	
	\$'000	\$'000	
Recovery of deferred tax assets			
Deferred tax assets expected to be recovered within 12 months	620	591	
Deferred tax assets expected to be recovered after more than 12 months	–	2	
	620	593	
15 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES			
Trade payables and accruals	10,204	7,765	
16 CURRENT TAX LIABILITIES			
Current tax liabilities	468	583	
17 CURRENT LIABILITIES – OTHER LIABILITIES			
Contract liabilities – rents and other income received in advance	3,408	5,684	
Rents and other income billed in advance	5,603	7,074	
	9,011	12,758	

notes to the financial statements for the year ended

18 BORROWINGS

	2019			2018		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Secured						
Commercial bill facility	–	25,000	25,000	29,000	–	29,000
Total secured borrowings	–	25,000	25,000	29,000	–	29,000
				2019	2018	
(a) Financing arrangements				\$'000	\$'000	
Bank loan facility						
Total facilities				50,000		50,000
Used at balance date				(25,000)		(29,000)
Unused at balance date				25,000		21,000
(b) Secured liabilities and assets pledged as security						
<i>First mortgage</i>						
Freehold land and buildings				111,767		117,610
<i>Floating charge</i>						
All other assets				56,152		45,144
Total assets pledged as security				167,919		162,754

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. This facility was received on 1 July 2018 for 3 years.

The availability of finance under the facility is subject to borrowing covenants, which include a number of financial ratio and EBITDA covenants.

19 EMPLOYEE BENEFIT OBLIGATIONS

	2019			2018		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Employee benefits – long service leave	760	130	890	767	177	944
Employee benefits – annual leave	727	–	727	738	–	738
Total employee benefit obligations	1,487	130	1,617	1,505	177	1,682

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

(a) Financing arrangements				2019	2018
				\$'000	\$'000
Current leave obligations expected to be settled after 12 months				374	406

30 June 2019

20 NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	2019 \$'000	2018 \$'000
The balance comprises temporary differences attributable to:		
Tax allowances relating to property, plant and equipment	5,981	5,644
Prepayments	127	302
	6,108	5,946
Set-off of deferred tax liabilities pursuant to set-off provisions (note 14)	(620)	(593)
Net deferred tax liabilities	5,488	5,353

	Property, plant and equipment \$'000	Prepayments \$'000	Total \$'000
Movements:			
At 1 July 2017	5,175	727	5,902
Charged/(credited)			
– profit or loss	469	(425)	44
At 30 June 2018	5,644	302	5,946
At 1 July 2018	5,644	302	5,946
Charged/(credited)			
– profit or loss	337	(175)	162
At 30 June 2019	5,981	127	6,108

	2019 \$'000	2018 \$'000
Recovery of deferred tax liabilities		
Deferred tax liabilities expected to be recovered within 12 months	127	302
Deferred tax liabilities expected to be recovered after more than 12 months	5,981	5,644
	6,108	5,946

notes to the financial statements for the year ended

21 CONTRIBUTED EQUITY

	2019 Shares	2018 Shares	2019 \$	2018 \$
Issued capital comprises 6,578 (2018: 6,578) fully paid shares of \$1 each				
Flowers Ordinary Shares	262	262	262	262
Growers Ordinary Shares	738	738	738	738
Retail Markets Ordinary Shares	5,060	5,060	5,060	5,060
Warehouse Ordinary Shares	268	268	268	268
Wholesale Ordinary Shares	250	250	250	250
	6,578	6,578	6,578	6,578

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.

	2019 \$'000	2018 \$'000
Total borrowings	25,000	29,000
Less: cash and cash equivalents	(6,608)	(7,231)
Net debt	18,392	21,769
Total equity	116,059	105,289
Total capital	134,451	127,058
Gearing ratio	14%	17%

30 June 2019

22 RETAINED EARNINGS	2019	2018
	\$'000	\$'000
Movements in retained earnings were as follows:		
Balance 1 July	105,282	99,601
Net profit for the year	10,770	5,681
Balance 30 June	116,052	105,282

23 DIVIDENDS

(a) Franked dividends

The franked portions of any final dividends recommended after 30 June 2019 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 2020.

	2019	2018
	\$'000	\$'000
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2018 – 30.0%)	56,236	51,650

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

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

24 RELATED PARTY TRANSACTIONS	2019	2018
	\$	\$
(a) Key management personnel compensation		
Short-term employee benefits	1,309,572	1,432,520
Post-employment benefits	103,575	127,109
	1,413,147	1,559,629

Detailed remuneration disclosures are provided in the remuneration report on pages 13 to 16.

(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.

notes to the financial statements for the year ended

24 RELATED PARTY TRANSACTIONS (continued) 2019 \$ 2018 \$

(b) Other transactions with key management personnel (continued)

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)

	351,295	391,107
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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)

	20,000	59,645
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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.

25 REMUNERATION OF AUDITORS 2019 \$ 2018 \$

During the year the following fees were paid or payable for services provided by the auditor of the company, its related practices and non-related audit firms:

(a) PwC

(i) Audit and other assurance services

Audit and review of financial statements	215,000	184,537
Other assurance services	22,360	17,500
Total remuneration for audit and other assurance services	237,360	202,037

(ii) Taxation services

Tax compliance services	20,500	20,500
Total remuneration for taxation services	20,500	20,500

(iii) Other services

Assistance with financial statements preparation	25,000	25,462
Advisory service for the future of the market	207,465	250,000
Total remuneration for other services	232,465	275,462
Total remuneration of PwC	490,325	497,999

30 June 2019

26 CONTINGENCIES

The company had no contingent liabilities or assets at 30 June 2019.

27 COMMITMENTS

	2019 \$'000	2018 \$'000
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(a) Operating commitments

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

Payable:

Less than 1 year	3,358	3,278
Later than one year but not later than five years	14,298	13,867
Later than five years	75,187	78,917
	<u>92,843</u>	<u>96,062</u>

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 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:

	2019 \$'000	2018 \$'000
--	----------------	----------------

Less than 1 year	<u>14,530</u>	<u>12,946</u>
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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 12.

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:

	2019 \$'000	2018 \$'000
Commercial bill facility	25,000	29,000
Interest rate derivative (notional principal amount)	(10,000)	(10,000)
Net exposure to cash flow interest rate risk	<u>15,000</u>	<u>19,000</u>

notes to the financial statements

for the year ended

28 FINANCIAL RISK MANAGEMENT (continued)

(a) Interest rate risk (continued)

The loans drawn down under the commercial bill facility bear an average variable interest rate of 3.30% (2018: 3.07%). The cap and the floor of the collars are 6.81% and 3.75% (2018: 6.81% and 3.75%) respectively.

At 30 June 2019, 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)	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Interest income	(175)	(203)	175	203
Valuation of derivatives	70	70	(70)	(70)

(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 2019.

	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 2019						
Financial liabilities						
Trade and other payables	(10,204)	–	–	–	(10,204)	(10,204)
Interest bearing loans *	–	–	(25,000)	–	(25,000)	(25,000)
Interest rate collars	(72)	–	–	–	(72)	(72)
Total	(10,276)	–	(25,000)	–	(35,276)	(35,276)
Year ended 30 June 2018						
Financial liabilities						
Trade and other payables	(7,765)	–	–	–	(7,765)	(7,765)
Interest bearing loans *	(29,000)	–	–	–	(29,000)	(29,000)
Interest rate collars	(162)	(162)	(1)	–	(324)	(324)
Total	(36,927)	(162)	(1)	–	(37,089)	(37,089)

*These maturities are in line with Sydney Markets Limited's strategy. On 1 July 2018, the facilities were extended until 30 June 2021.

28 FINANCIAL RISK MANAGEMENT (continued)

(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.

29 FAIR VALUE MEASUREMENTS

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

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

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

30 EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

	2019 \$'000	2018 \$'000
Profit for the year	10,770	5,681
Depreciation	4,795	4,188
Net loss on sale of non-current assets	–	39
Net gains on sale of assets held for sale	(8,461)	(1,786)
Change in operating assets and liabilities:		
Increase in trade and other receivables	128	4,608
Increase in deferred tax liabilities	135	1,426
(Decrease) increase in trade and other payables	(1,308)	2,377
(Decrease) in derivative financial instrument	(252)	(282)
(Decrease) increase in provision for income taxes payable	(115)	(1,222)
(Decrease) increase in employee benefit obligations	(65)	78
Net cash inflow from operating activities	5,627	15,107

Directors' declaration

30 June 2019

In the Directors' opinion:

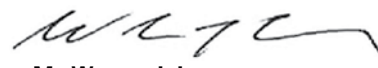
- (a) the financial statements and notes set out on pages 19 to 45 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the company's financial position as at 30 June 2019 and of its performance for the 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 PEARSON
CHAIRMAN



MR WILLIAM L LYNCH
DIRECTOR

Sydney
18 September 2019

Independent Auditor's report

30 June 2019



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

Our opinion

In our opinion:

The accompanying financial report of Sydney Markets Limited (the Company) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the balance sheet as at 30 June 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, including the Joint message from the Chairman and Chief Executive Officer, Directors' report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

PricewaterhouseCoopers, ABN 52 780 433 757

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Independent Auditor's report

30 June 2019

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

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Sydney Markets Limited for the year ended 30 June 2019 included on Sydney Markets Limited's web site. The directors of the Company are responsible for the integrity of Sydney Markets Limited's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial 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 to confirm the information included in the audited financial report presented on this web site.

PricewaterhouseCoopers

Shannon Maher
Partner

Sydney
18 September 2019

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SYDNEY MARKETS LIMITED

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