

2017

ANNUAL REPORT





JOHN PEARSON - *Chairman*

BOARD OF DIRECTORS (L-R)

DAVID WHITEMAN - *Expertise Director*

MARIO MESSINA - *Nominee Director Retail Markets*

BILL LYNCH - *Expertise Director*

WILLIAM LEE - *Nominee Director Growers Market*

SHAUN M^cINERNEY - *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*

MARTIN FORSTER - *Head of Site Services*

MICHAEL GOLDEN - *Chief Financial Officer / Company Secretary*

SHANE CHESTER - *Head of Corporate Strategy and
Business Development*

DAVE MONTGOMERY - *Head of Retail Markets*

BRIAN BIGELOW - *Head of Operations*

annual report contents

30 June 2017

SYDNEY MARKETS LIMITED
ABN 51 077 119 290
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

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joint message from the Chairman & CEO

JOINT MESSAGE FROM THE CHAIRMAN & CHIEF EXECUTIVE OFFICER

We are pleased to present the 2016/2017 Sydney Markets Limited (SML) Annual Report.

FINANCIALS

The 2016/2017 Financial Year has resulted in another strong financial performance for SML as outlined below:

- Profit before income tax was \$7.9 million (2016: \$8.6 million).
- Profit after tax of \$5.7 million. (2016: \$5.8 million).
- Operating revenue for the year decreased by 3.9% (2016: decreased by 0.6%) compared to last year.
- Total expenses were down by 2.9% (2016: down by 1.4%) during the year.
- The total capital expenditure for the year was \$14.3 million (2016: \$7.9 million). This was driven by the Car Park V extension and solar system and other infrastructure upgrades.
- Borrowings increased from \$27 million at 1 July 2016 to \$29 million at 30 June 2017 to fund the above-mentioned upgrades.

STRATEGIC

Future of the Markets Project

- Our business is in an exciting and challenging phase which is highlighted by the completion of Stage 1 of the Future of the Markets Project.

It is acknowledged that the Flemington site is extremely well located. Excellent facilities and efficient operations will however be critical to ensuring our Markets can continue to support the needs of the businesses and people that rely on them well into the future. One of the key outcomes of Stage 1 indicates our current site will continue to be a world leader in wholesale and retail market operations for at least 10 to 15 more years.

The outcome of Stage 1 now leads us into Stage 2 of the project where investigations will commence for a potential future development site. Dialogue will continue with Government and our Industry based Future of the Markets Committee on this issue.

It is important to note that SML will continue to maintain and optimise our current site for the benefit of all stakeholders.

Separate Master Planning processes have also been developed to ensure our Paddy's Haymarket and Flemington Brands remain a world leader in retail operations.

Paddy's Night Food Markets

- Sydney Markets is pleased to announce the addition of Paddy's Night Food Markets to our portfolio. Paddy's Night Food Markets evolves the Paddy's brand by harnessing the capability that food trucks have in bringing together local foodies.

A series of teaser events were held prior to the official launch on 1 July, to spark interest from the local community. These events were well received with the number of people attending growing significantly each week.

- Food Trucks including popular traders Chur Burger, Dirty Bird and Maverick Wings served their products to young families, street food aficionados and community groups who attended the launch.

Paddy's Night Food Markets is held every Saturday night from 6:30pm-10:30pm in an undercover industrial car park. The space not only compliments experienced vendors but also provides a platform for rising street food start-ups to launch and showcase their product offerings.

Weekly themes, alternating food trucks, free arcade games, car shows and a resident DJ add to the ambience of the Paddy's Night Food Markets.

Stakeholder Surveys

- During the reporting period, SML continued to complete comprehensive stakeholder surveys through Paddy's Market Flemington. The surveys satisfy one of the key pillars of the Sydney Markets 5 year Strategic Plan; to better understand the needs of businesses operating within the Markets. SML uses the results from these surveys to develop a master plan to ensure the future of Paddy's.

joint message from the Chairman & CEO

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

Paddy's Haymarket Masterplan

- To ensure the Paddy's Haymarket brand remains a world leader in retail operations, a Master Planning process approved by the SML Board in April has commenced. A Paddy's Haymarket Master Plan Subcommittee comprising SML Board Members, Senior Managers and Traders has been formed to oversee the process. The Subcommittee is tasked with the review of the entire Paddy's Haymarket Strategy and Operational Plan.

As part of the process a detailed analysis has been undertaken to better understand the issues facing Paddy's Haymarket through one-on-one interviews with traders. Further research is also being conducted into the changing demographics of the Haymarket area, as well as continuing our regular customer survey program.

Paddy's Flemington Strategy

- SML conducted a comprehensive stakeholder survey of Friday, Saturday and Sunday Paddy's Market Flemington. The survey outlined the decline in occupancy rates on Friday and Sunday, while Saturday Paddy's remains strong.
- To address this issue SML is developing the Paddy's Flemington Strategic Plan which will include the following:
 - Preparation of a three-year Strategy
 - Establishing a transformation team with appropriate skills and representation to lead the program of activities
 - Fine tuning the actions over the next year
 - Establishing a timetable
 - Establishing a budget
 - Defining roles and accountabilities
 - Defining KPI's and milestones
 - Developing the Reporting Plan
 - Developing the Communication and Engagement Plan

SITE IMPROVEMENTS

Car Park V Extension

- In recent years Sydney Markets has executed several ground-breaking initiatives as part of our commitment to sustainability and our community. On 14 March 2017, the NSW Planning Minister Anthony Roberts attended the official opening ceremony and unveiling of the newly built 640kW solar structure and extension to Car Park V that has created an additional 350 parking positions and includes covered truck parking, a new lift, 400m² storage units and an elevated pedestrian bridge and walkway from Flemington Station to the Markets and residential areas.

The industrial scale solar carport system, which is one of the largest in Australia, was built as part of Sydney Markets' continued commitment to environmental sustainability. The 640kW structure will save 936 tonnes of carbon each year – the equivalent of taking 522 small cars off the road annually or powering 257 houses each year.

- Through the investment in large scale solar infrastructure, we have improved the Markets' green credentials, while reducing its consumption of energy from fossil fuels.

Along with the other two solar systems on site, it brings Sydney Markets' total renewable energy capacity to about 900kW. The customised solar installation will also attract Large Scale Generation Credits (LGCs), meaning Sydney Markets can trade renewable electricity generated above the power station baseline to likeminded companies.

Rooftop Solar Panel Systems – Buildings D & E

- Following the successful installation of three solar systems at Sydney Markets – Flower Market Car Park Solar Carports (160kW), Building D West Solar Awning (88kW) and Car Park V Solar Carports (640kW) – a further two solar systems are to be installed on Building D rooftop (985kW) and Building E Awning (1,220kW).

The current solar system installations have been very successful, generating \$260K in electricity savings p.a. and more than \$90K in government credits. When the two new solar systems are installed, they will provide additional electricity cost savings of \$766K p.a. and will bring total solar electricity generation to almost 11% of the site's annual consumption.

It is anticipated this project will be completed in early 2018 with the payback period being less than 6 years.

joint message from the Chairman & CEO

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

Parramatta Road Frontage

New Warehouse Z

- A new 3,700m² warehouse will be constructed on Parramatta Road, adjacent to the Service Station for the successful tenderer, Simon George & Sons Pty Ltd.

The warehouse structure allows for the construction of two stories of commercial offices. The building will be architecturally pleasing and designed to fit well with Strathfield Council's plan for the Parramatta Road Corridor.

It is expected construction will be completed towards the middle of 2018.

Residential Development – Corner Parramatta Road & Smallwood Avenue

- The parcel of land at the corner of Smallwood Avenue and Parramatta Road adjoining the Warehouse Z site is zoned B4 – Mixed Use, and therefore cannot be developed for Market activities. This being the case, this 3,028m² lot is under Agreement for Sale, with settlement due in late 2017, and will be developed into a commercial/residential building.

Site Infrastructure

Building E Cooling Towers & Cold Stores Refrigeration Plant

- The cooling towers, pumps and variable speed drives servicing Building E plant room and the Cold Stores refrigeration plant, which were at 'End of Life', have been replaced. The new cooling towers are now located outside on the southern side of the awning, allowing for easy access and efficient cooling. An electricity saving of 30% was achieved.

The works to replace the refrigeration plant have also been completed successfully and very positive feedback has been received from the tenants. The rooms are reaching the correct temperature much faster than before.

Relocation of Switch Rooms – Buildings A, B & C

- The upgrade of switch rooms located in the buyers walkways in Buildings A, B and C is well underway. This involves the old 'End of Life' switch rooms being demolished and replaced by one switch room per building to the south side the building.

The first stage of this project, Building B, has been completed, with the old switch rooms in Building B walkways removed and replaced with one new switch room located at South Road. This has created:

- Additional produce and display area
- Improved telecommunications
- Improved Work Health & Safety
- Improved buyer experience

Works will soon commence for the second stage of the project in Building C.

National Broadband Network

- During the reporting period, the Federal Government initiative to provide fast internet services to the community was rolled out to Sydney Markets with fiber connections installed throughout the site. Market businesses are now able to connect to the National Broadband Network through their preferred telecommunications provider.

Flemington Station Upgrade

- Transport NSW has completed the upgrade of Flemington Railway Station, including the installation of lifts to access the platforms, installation of a new pedestrian forecourt and ramp on the Sydney Markets side of the station that connects to the new elevated footbridge across South Road leading to Level 1 of the Car Park V Extension, and the demolition and removal of the old pedestrian bridge over the rail corridor.

This upgrade provides much more convenient and safer access to the Markets for customers who travel by public transport.

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.

joint message from the Chairman & CEO

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

OPERATIONS

Change to GTA Access Times

- Following extensive stakeholder consultation and a comprehensive study into the most appropriate buyer access times into the General Trading Area (GTA), given changing buyer trends and the importance of maintaining workplace health and safety standards in the Markets, revised GTA Access Times were introduced in July 2016.

The revised opening hours are:

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

Feedback received at the time of writing this report has been positive and the revised access times are working well. This initiative has resulted in a much safer environment for all Market stakeholders.

Work Health and Safety

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

Work Health & Safety Initiatives

- A number of Work Health & Safety initiatives have been implemented during the reporting period, including:
 - Full roll out of the Traffic Management Plan (TMP) for the Growers Market/Building D.
 - Review of Growers Market/Building D TMP and introduction of bollards at all nine entrances, north and south, to guide pedestrians into the pedestrian access ways.
 - Introduction of the 9.00am cut-off times for forklifts entering Building D from Centre Road during the Friday Growers Market changeover to Paddy's Market.
 - Independent consultant, Chapalex Pty Ltd completed a comprehensive review of the Sydney Markets Limited Work Health and Safety Management System (WHSMS).
 - Implementation of the WHSMS, which included preparation of twelve Safe Operating Procedures (SOPs), Work Health and Safety Management Plan (WHSMP) and a reviewed Work Health and Safety Policy, with training on the WHSMS conducted for all SML staff.
 - Creation of a new SML Work Health & Safety internet site, consisting of the WHSMP, SML Safety Notices and a general online WHS inductions.
 - Roundtable meeting held with SafeWork NSW, Better Regulations NSW, Roads & Maritime Services, Strathfield Council and NSW Police to discuss clarification of the classification of roads within the Sydney Markets site and the overall site Traffic Management Plan.
 - Introduction of new forklift entry cut off times for the Saturday Paddy's Fresh Food Market – 4.15am to 6.00am with a 'spotter'.
 - Trials undertaken, internally and by an independent external expert, to assess the potential impact of limiting forklift speeds to either 10kph or 15kph throughout the Market site. The results of both trials showed that reducing forklift speed limits would severely affect productivity for Market businesses, the cost would be unreasonable and the number of additional forklifts required on site would significantly increase traffic congestion and risk to safety throughout the site.

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.

joint message from the Chairman & CEO

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

Solar Power Generation

- The three existing solar panel systems at Sydney Markets – Flower Market Solar Carports, Building D Solar Awning and Car Park V Solar Carports – produced 496,344kWh of renewable energy from January to June 2017.

Foodbank – Food Waste Collection

- For many years Foodbank, Australia's largest hunger relief organisation, has been actively sourcing edible but surplus fruit and vegetables from Market businesses that would otherwise be discarded, which is then distributed to people in need.

SML is proud to continue our support. This year Foodbank increased their collection of produce at Sydney Markets from two days a week to four days a week. In the six months from January to June 2017 they collected 588 tonnes of fruit and vegetables (compared to 491 in the preceding twelve months).

MARKETING

The Fresh Awards

- SML is proud to have delivered a successful second year of the Fresh Awards, our renewed awards program recognising the achievements of growers and independent retailers who trade in the Markets.

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

The 2017 Fresh Awards culminated in a gala event at the Museum of Contemporary Art in July 2017, where the winners in each of the 15 award categories were announced.

Congratulations to the participating businesses and individuals, and especially those who made it through as finalists and winners. It was terrific to see the different sectors of our industry come together for an evening to acknowledge and celebrate the efforts of all involved.

Life Inside the Markets

- SML's documentary television show, Life Inside the Markets returned for a second series airing for 12 weeks from August to November 2016 on Channel Ten.

Building on the strong numbers achieved in the first season, the show reached an average weekly audience of 192,000 for Season 2 (compared to 130,000 for Season 1). Audience numbers were further boosted by episode replays on Channel One, and through the TenPlay website.

The show provides the opportunity to once again promote Sydney Markets to a wider audience. As with the first series, the second season focused on the journey of fresh produce from the farm through the Markets and on to its final destination, in addition to telling the stories of the people of the Markets.

Those of us who work here know it is a place like no other – always busy with activity and full of colourful characters. It is not often that we can give others an insider's glimpse into our workplace. I encourage everyone in the Markets to take advantage and tell your family and friends to watch the series.

Planning is now underway for Series 3 of Life Inside the Markets.

Friends of Paddy's Program

- Friends of Paddy's is a free-to-join customer loyalty program offering Paddy's Markets customers exclusive offers, competitions, sales and special promotions.

The program offers traders a platform to broadcast offers and promotions directly to a growing customer base. It incentivises customers to visit Paddy's Markets and provides exclusive offers to encourage repeat visits and purchases.

joint message from the Chairman & CEO

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

- The program continues to be promoted through events held at Paddy's Markets including:
 - The Paddy's Markets Spice Festival, which encouraged customers to sign up to the Friends of Paddy's Program to receive a free Paddy's Markets Trolley and spice mix. This promotion resulted in over 800 new customers signing up to the program over a four day period.
 - The Paddy's Markets Flower Workshops encouraged customers to join the program to participate in free flower workshops. This promotion provided the opportunity to introduce a new type of customer base to Paddy's Markets.

Fresh for Kids Program

- The Fresh for Kids program aims to help school aged children achieve a healthy lifestyle by encouraging them to eat plenty of fresh fruit and vegetables and by participating in physical activity.

The program was introduced to combat the alarmingly low levels of fresh fruit and vegetable consumption within primary school aged children.

The Fresh for Kids website is currently undergoing a major overhaul, including an overall update to content, nutritional information, educational resources and healthy recipe ideas.

Fresh for Kids remains a major sponsor of the NSW Department of Education's 'Premier's Primary School Sporting Challenge' which involves primary school classes participating in a 10 week sport and physical activity challenge whilst encouraging healthy eating.

The Canteen Campaign remains an imperative 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. This year more than 600 schools registered for the 7 week program, reaffirming that Fresh for Kids remains one of the most successful healthy eating campaigns targeted at children in Australia.

CORPORATE

New SML Trader App

- The SML Trader App launched in July and was designed to further strengthen our communication with SML stakeholders. The App includes useful features including an extensive trader directory, an events calendar, emergency contact information and a feedback form to send instant feedback.

The App allows traders to login and update or change their contact information and is linked to Google Translate, allowing for notices to be translated into any language. It is available for free download via the Windows Store, Play store and App Store.

SML Directors

- Mr John Pearson was re-elected as Chairman and Independent Director in September 2016.
Mr Shaun McInerney and Mr John Olivieri were both re-elected as Nominee Directors for the Wholesale and Flower Market categories respectively, effective July 2017.
Mr David Whiteman was re-elected as Expertise Director, effective September 2017.
These appointments are for a further term of three years.
We congratulate Mr Pearson, Mr McInerney, Mr Olivieri and Mr Whiteman on their appointments.

WUWM Congress in Australia

- The 31st World Union of Wholesale Markets (WUWM) Congress will be held in Australia in October 2017. This global event will be jointly hosted by the Melbourne Market Authority, Queen Victoria Market and Sydney Markets Limited from 23 to 27 October 2017.
The Congress will focus on the impact technology will have on the Market's role in the supply chain and the customer experience under the banner of market modernisation.

joint message from the Chairman & CEO

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

WUWM events usually attract several hundred wholesale and retail market managers and food industry colleagues from around the world. WUWM currently has member markets in 42 countries and is active in the international exchange of information on wholesale and retail markets, with a view to improving their construction, organisation and management.

OTHER NEWS

Sydney Markets Foundation

- The 2016 Summer Fruit Auction & Festival and the annual Sydney Markets Race Day raised a combined total of \$42,000 for the Sydney Markets Foundation. The funds raised assisted various charities including Save Our Sons. Congratulations to the Markets community on this tremendous achievement.

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 2016
 - 30th WUWM Congress – Changsha, China – September 2016
 - WUWM Conference – Rome, Italy – May 2017
 - Hort Connections Conference – Adelaide, Australia – May 2017
 - Central Markets Association of Australia – Adelaide, Australia – May 2017
 - Australian Banana Industry Congress – Sydney, Australia – June 2017

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

All financial indicators show SML can look forward to another strong performance for the 2017-2018 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 2017.

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)
Mr David J. Whiteman
Mr William L. Lynch
Mr Cosimo Cremona
Mr David W. Hynes
Mr Alvisio (John) Olivieri (Deputy Chairman from 19 August 2015 to 17 August 2016)
Mr Shaun M. McInerney (Deputy Chairman from 17 August 2016 to 16 August 2017)
Mr Mario J. Messina

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

PRINCIPAL ACTIVITIES

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

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

REVIEW OF OPERATIONS

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

DIVIDENDS – SYDNEY MARKETS LIMITED

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

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

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to the year end on 31 August 2017 the company has completed the sale of 35 Smallwood Avenue Homebush for a price of \$2.5 million. At 30 June 2017, the company disclosed this property as assets classified as held for sale for a carrying amount of \$0.7 million. The gain of \$1.8 million on sale of the property will be recorded in the statement of comprehensive income for the subsequent year ending 30 June 2018.

The Directors are not aware of any other matter or circumstance that has arisen since 30 June 2017 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 2017.

INFORMATION ON DIRECTORS

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

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

Mr William W. Lee – Non-Executive Nominee Director – Growers Market Deputy Chairman from 16 August 2017

- Experience and expertise:
- Board Member since 26 October 2011
 - Over 56 years experience in the growers industry
- Other current directorships:
- Lee Bong Bros Pty Ltd
- SML committees:
- Nil
- Interests in shares:
- 3 Retail Markets Ordinary Shares, 2 Growers Market Ordinary Shares and 1 Warehouse Ordinary Share

Mr David J. Whiteman – Non-Executive Expertise Director

- Qualifications:
- BA (Macquarie University) majoring in Economics & Financial Studies
- Experience and expertise:
- Board member from 19 August 2015
 - Deputy Chairman from 23 July 2009 to 25 August 2010, Board Member from 21 July 2004 to 17 July 2013
 - Over 48 years experience in the fruit and vegetable industry
- Other current directorships:
- Director of C J Lewis Pty Ltd
 - Director of Mount View (Orchids Batlow) Pty Ltd
 - Director of Davic Investments Pty Ltd
 - Director of Chamber (Holdings) Pty Ltd
 - Director of NSW Chamber (Services) Pty Ltd
 - Director, The Australian Chamber of Fruit and Vegetable Industries Ltd
 - Director, The NSW Chamber of Fruit and Vegetable Industries Inc.
- SML Committees:
- Finance and Audit
- Interests in shares:
- Nil

Directors' report

INFORMATION ON DIRECTORS (continued)

- Mr William L. Lynch** – **Non-Executive Director**
- Experience and expertise: – Board Member since 1998
– Over 59 years in the Australian Horticulture Industry as a grower, wholesaler and retailer
– Past President, Australian Flower Growers Association
– Past President, Flower Growers Group of NSW Inc.
– Associate Member, The NSW Chamber of Fruit and Vegetable Industries Inc.
- Other current directorships: – Director of W & D Lynch Pty Ltd
– Director of Carismatic Pty Ltd
– Director of Fresh Flower Group Pty Ltd
– Director of Lynch Group Events Pty Ltd
– Director of Lynch Flowers Brisbane Pty Ltd
- SML Committees: – Remuneration, Finance and Audit Committee
- Interests in shares: – 6 Flower Market Ordinary Shares
-
- Mr Cosimo Cremona** – **Non-Executive Nominee Director – Warehouses**
- Experience and expertise: – Board Member from 24 July 2002 to 13 July 2011 and from 17 July 2013
– Over 37 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: – Deputy Chairman from 17 August 2011 to 15 August 2012 and from 20 August 2014 to 19 August 2015, Board Member since 2005
- Other current directorships: – Executive Director of Winston Langley Pty Limited, a property development and property advisory organisation
– President of the Australian Baseball Federation
- SML Committees: – Remuneration, Master Plan, Retail Markets Sub Committee
- Interests in shares: – Nil
-
- Mr Alvisio (John) Olivieri** – **Non-Executive Nominee Director – Flower Market Deputy Chairman from 19 August 2015 to 17 August 2016**
- Experience and expertise: – Board Member since July 2008
– Over 45 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 Deputy Chairman from 17 August 2016 to 16 August 2017**

- Experience and expertise:
- Board Member since July 2011
 - Over 35 years experience in the fruit and vegetable industry
- Other current directorships:
- Director Fresh Fellas Pty Limited
- SML committees:
- Environment Management
- Interests in shares:
- 8 Retail Markets Ordinary Shares, 4 Wholesale Market Ordinary Shares, 2 Warehouse Ordinary Share and 1 Growers Market Ordinary Share

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

- Qualifications:
- Diploma – Marketing
- Experience and expertise:
- Board Member since 18 July 2012
 - Over 30 years experience at Sydney Markets
 - Representative, Paddy's Advisory Committee
 - Member of Council of Market Representatives from September 1999 to June 2012
- Other current directorships:
- Nil
- SML committees:
- Environment Management, Master Plan
- Interests in shares:
- 8 Retail Markets Ordinary Shares.

COMPANY SECRETARY

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

Mr Michael Golden

Mr Michael Golden has over 17 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 2017 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)	12	12	6	6
Mr William W. Lee	12	12	–	–
Mr David J. Whiteman	12	12	6	5
Mr William L. Lynch	12	12	6	4
Mr Cosimo Cremona	12	12	–	–
Mr David W. Hynes	12	11	–	–
Mr Alvisio (John) Olivieri (Deputy Chairman)	12	11	–	–
Mr Shaun M. McInerney	12	12	–	–
Mr Mario J. Messina	12	12	–	–

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

B = Number of meetings attended

DIRECTORS AND OFFICERS REMUNERATION

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

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

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

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

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

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

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

Directors' report

DIRECTORS AND OFFICERS REMUNERATION (continued)

A Principles used to determine the nature and amount of remuneration

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

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

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

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

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

Directors' fees are determined within an aggregate Directors' fee pool limit. The pool limit for the 2017 year was \$494,168 (2016: \$482,964) 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.

2017

Name	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Total \$	Performance related %
Non-executive Directors						
Mr John C. Pearson (Chairman)	103,143	–	12,000	6,514	121,657	–
Mr William L. Lynch	45,363	–	1,200	-	46,563	–
Mr Alvisio (John) Olivieri	41,324	–	1,200	4,040	46,564	–
Mr Shaun M. McInerney	41,324	–	1,200	4,040	46,564	–
Mr David W. Hynes	41,324	–	1,200	4,040	46,564	–
Mr David J. Whiteman	12,131	–	1,200	33,233	46,564	–
Mr William W. Lee	11,196	–	1,200	34,168	46,564	–
Mr Mario J. Messina	41,324	–	1,200	4,040	46,564	–
Mr Cosimo Cremona	41,324	–	1,200	4,040	46,564	–
Total	378,453	–	21,600	94,115	494,168	–

Directors' report

DIRECTORS AND OFFICERS REMUNERATION (continued)

B Details of remuneration (continued) 2017

Name	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Total \$	Performance related %
Other key management personnel						
Mr Bradley R. Latham	274,797	10,000	58,314	25,050	368,161	2.7
Mr Michael W. Golden	161,195	7,500	26,836	16,026	211,557	3.5
Mr Shane R. Chester	123,447	5,000	21,779	12,202	162,428	3.1
Mr Brian W. Bigelow	100,983	–	10,104	9,593	120,680	–
Mr Martin J. Forster	115,711	5,000	–	34,289	155,000	3.2
Total	776,133	27,500	117,033	97,160	1,017,826	
Total	1,154,586	27,500	138,633	191,275	1,511,994	

2016

Name	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Total \$	Performance related %
Non-executive Directors						
Mr John C. Pearson (Chairman)	104,909	–	4,799	9,921	119,629	–
Mr William L. Lynch	44,695	–	1,200	–	45,895	–
Mr Alvisio (John) Olivieri	40,713	–	1,200	3,982	45,895	–
Mr Shaun M. McInerney	40,713	–	1,200	3,982	45,895	–
Mr David W. Hynes	40,713	–	1,200	3,982	45,895	–
Mr David J. Whiteman	7,102	–	1,100	33,868	42,070	–
Mr William W. Lee	9,629	–	1,200	35,066	45,895	–
Mr Mario J. Messina	40,713	–	1,200	3,982	45,895	–
Mr Cosimo Cremona	40,713	–	1,200	3,982	45,895	–
Total	369,900	–	14,299	98,765	482,964	
Other key management personnel						
Mr Bradley R. Latham	289,184	10,000	36,888	35,000	371,072	2.7
Mr Michael W. Golden	154,755	5,000	25,736	15,740	201,231	2.5
Mr Shane R. Chester	114,978	5,000	21,779	11,981	153,738	3.3
Mr Brian W. Bigelow	73,246	–	–	6,533	79,779	–
Mr Martin J. Forster	115,000	5,000	–	35,000	155,000	3.2
Total	747,163	25,000	84,403	104,254	960,820	
Total	1,117,063	25,000	98,702	203,019	1,443,784	

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.

2017	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

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

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.

	2017 \$	2016 \$
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)	368,587	355,483
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)	56,437	63,166

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

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

Directors' report

CORPORATE GOVERNANCE STATEMENT

Board composition

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

Directors' shareholdings

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

Directors' committees

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

Ethical standards

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

Insurance of officers

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

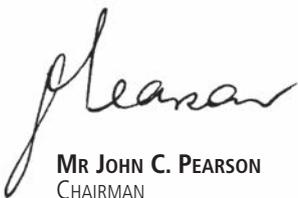
ROUNDING OF AMOUNTS

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 Directors.



MR JOHN C. PEARSON
CHAIRMAN



MR WILLIAM L. LYNCH
DIRECTOR

Sydney
20 September 2017

Auditor's independence declaration



Auditor's Independence Declaration

As lead auditor for the audit of Sydney Markets Limited for the year ended 30 June 2017, 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 that reads 'S.T. Maher'.

Shannon Maher
Partner
PricewaterhouseCoopers

Sydney
20 September 2017

PricewaterhouseCoopers, ABN 52 780 433 757

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financial report contents

30 June 2017

SYDNEY MARKETS LIMITED
ABN 51 077 119 290
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

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

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

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

A description of the nature of the company's operations and its principal activities is included in the Directors' report on pages 9 to 17, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 20 September 2017. The Directors have the power to amend and reissue the financial statements.

statement of comprehensive income

for the year ended

30 June 2017

	Notes	2017 \$'000	2016 \$'000
Revenue from continuing operations	4	56,646	58,928
Property cost		(23,794)	(23,516)
Payroll cost		(6,645)	(6,408)
Repairs and maintenance		(4,869)	(6,131)
Management and administration cost		(1,357)	(1,514)
Advertising and promotion		(4,157)	(4,916)
Professional fee		(3,399)	(3,068)
Depreciation expense	5	(3,504)	(3,477)
Finance expense	5	(1,329)	(1,474)
Total expenses from continuing operations		(49,054)	(50,504)
Theoretical valuation gain on derivatives		324	170
Profit before income tax		7,916	8,594
Income tax expense	6	(2,262)	(2,750)
Profit for the year		5,654	5,844
Other comprehensive income			
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year		5,654	5,844
Profit is attributable to:			
Owners of Sydney Markets Limited		5,654	5,844
Total comprehensive income for the year is attributable to:			
Owners of Sydney Markets Limited		5,654	5,844

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

balance sheet

as at

30 June 2017

		2017	2016
	Notes	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	3,125	3,609
Trade and other receivables	9	18,693	14,858
Assets classified as held for sale	7	7,610	654
Total current assets		29,428	19,121
Non-current assets			
Property, plant and equipment	11	125,268	122,449
Total non-current assets		125,268	122,449
Total assets		154,696	141,570
LIABILITIES			
Current liabilities			
Trade and other payables	13	7,308	3,102
Borrowings	14	29,000	–
Derivative financial instruments	10	298	302
Current tax liabilities	16	1,805	482
Employee benefit obligations	15	1,450	1,448
Other liabilities	17	10,838	9,319
Total current liabilities		50,699	14,653
Non-current liabilities			
Borrowings	18	–	27,000
Derivative financial instruments	10	308	628
Deferred tax liabilities	19	3,927	5,175
Employee benefit obligations	20	154	160
Total non-current liabilities		4,389	32,963
Total liabilities		55,088	47,616
Net assets		99,608	93,954
EQUITY			
Contributed equity	21	7	7
Retained earnings	22	99,601	93,947
Total equity		99,608	93,954

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

statement of changes in equity

for the year ended

30 June 2017

	Contributed equity \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2015	7	88,103	88,110
Profit for the year	–	5,844	5,844
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	5,844	5,844
Balance at 30 June 2016	7	93,947	93,954
Balance at 1 July 2016	7	93,947	93,954
Profit for the year	–	5,654	5,654
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	5,654	5,654
Balance at 30 June 2017	7	99,601	99,608

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 2017

	Notes	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		60,910	62,717
Payments to suppliers and employees (inclusive of goods and services tax)		(46,581)	(50,841)
		14,329	11,876
Interest received		7	47
Interest paid		(1,329)	(1,474)
Income taxes paid		(2,187)	(1,740)
Net cash inflow from operating activities	31	10,820	8,709
Cash flows from investing activities			
Payments for property, plant and equipment	11	(13,329)	(7,756)
Proceeds from sale of property, plant and equipment		25	294
Net cash (outflow) from investing activities		(13,304)	(7,462)
Cash flows from financing activities			
Proceeds from borrowings		2,000	–
Repayment of borrowings		–	(2,000)
Net cash inflow (outflow) from financing activities		2,000	(2,000)
Net (decrease) in cash and cash equivalents		(484)	(753)
Cash and cash equivalents at the beginning of the half-year		3,609	4,362
Cash and cash equivalents at the end of the year	8	3,125	3,609

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 2017

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notes to the financial statements

for the year ended

30 June 2017

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

(i) Compliance with IFRS

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

(ii) New and amended standards adopted by the company

The company has applied the following standards and amendments for first time in their annual reporting period commencing 1 July 2016:

- AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual improvements to Australian Accounting Standards 2012 - 2014 cycle, and*
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure initiative: Amendments to AASB 101.*

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

(iii) Historical cost convention

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

(iv) Critical accounting estimates

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

(v) Going concern

As at 30 June 2017 the company had an excess of current liabilities over current assets of \$21,271,000 primarily due to the \$29,000,000 loan facility maturing on 30 June 2018.

The availability of finance under the facility is subject to borrowing covenants, which include a number of financial ratio and EBITDA covenants. On 30 June 2017, the company has fallen outside of its EBITDA covenant requirements, but was issued with a letter on 23 August 2017 from the bank waiving its rights in respect to breaches for the period ended 30 June 2017. The financial statements have been prepared on the basis that the company is a going concern as the directors have reviewed forecast earnings and cash flows for 12 months from the date of this report and expect the company will be able to meet its obligations as they become due and payable.

notes to the financial statements for the year ended

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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:

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipmentm (continued)

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

Recognition and measurement

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

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

Financial liabilities

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

Derivative instruments

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

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

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

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

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

notes to the financial statements for the year ended

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

Fair value

The fair value of financial assets and financial liabilities is estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using quoted market prices or dealer quotes for similar instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to Sydney Markets Limited for similar financial instruments.

Impairment

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

(g) Impairment of assets

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

Where it is not possible to estimate the recoverable amount of an individual 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.

(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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Cash and cash equivalents

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

(k) Foreign currency translation

(i) Functional and presentation currency

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

(l) Revenue recognition

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

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

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

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

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

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

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

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

(n) Trade and other receivables

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

notes to the financial statements for the year ended

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Trade and other receivables (continued)

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

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

(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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Goods and Services Tax (GST) (continued)

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

(u) Rounding of amounts

The company is of a kind referred to in ASIC 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.

(v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not yet been applied in the financial statements. The company's assessment of the impact of these new standards and interpretations, which may be relevant to the company, is set out below.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

notes to the financial statements for the year ended

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) New accounting standards and interpretations (continued)

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

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

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

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

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

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Key estimates and judgements

(i) Impairment

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

(ii) Long service leave provision

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

(iii) Allowance for impairment loss on trade receivables

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

3 SEGMENT INFORMATION

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

4 REVENUE	2017 \$'000	2016 \$'000
From continuing operations		
Rents	24,484	24,136
Dues and fees	17,668	19,380
Other operating revenue	11,412	11,285
Advertising and promotions	2,465	3,127
Consideration on transfer of licences and leases	436	864
Interest revenue	7	47
Other revenue	174	89
	56,646	58,928

30 June 2017

5 EXPENSES	2017 \$'000	2016 \$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Buildings	1,922	1,823
Plant and equipment	1,499	1,569
Leasehold improvements	83	85
Total depreciation	3,504	3,477
<i>Finance costs</i>		
Interest and finance charges paid to external parties	1,329	1,474
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	3,105	3,050
Loss on disposal of property, plant and equipment	25	20
6 INCOME TAX EXPENSE		
(a) Income tax expense		
Current tax – current year	3,702	2,395
Current tax – prior year	(148)	(69)
Deferred tax	(1,248)	269
Deferred tax – prior year	(44)	155
	2,262	2,750
Deferred income tax (revenue) expense included in income tax expense comprises:		
(Increase) decrease in deferred tax assets (note 12)	(1,190)	36
(Decrease) increase in deferred tax liabilities (note 19)	(58)	388
	(1,248)	424
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	7,916	8,594
Tax at the Australian tax rate of 30.0% (2016 – 30.0%)	2,375	2,578
Adjustments from prior periods	(192)	88
Permanent differences	79	84
Income tax expense	2,262	2,750
7 ASSETS CLASSIFIED AS HELD FOR SALE		
The following assets were reclassified as held for sale as at 30 June 2017:		
Assets classified as held for sale – Property, plant and equipment	7,610	654
8 CASH AND CASH EQUIVALENTS		
Current assets		
Cash at bank and in hand	3,125	3,609

notes to the financial statements for the year ended

9 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES	2017 \$'000	2016 \$'000
Trade receivables	9,585	8,223
Receivables invoiced in advance	3,308	3,344
Provision for impairment of receivables (a)	(125)	(80)
	12,768	11,487
Accrued income and other receivables	2,799	1,230
Prepayments	3,126	2,141
	18,693	14,858

(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	80	70
Provision for impairment recognised during the year	45	10
Closing balance	125	80

(b) Past due but not impaired

As at 30 June 2017, trade receivables of \$1,214,000 (2016: \$734,000) 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	568	256
3 to 6 months	646	478
	1,214	734

30 June 2017

10 DERIVATIVE FINANCIAL INSTRUMENTS	2017	2016
	\$'000	\$'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	298	302
Total current derivative financial instrument liabilities	298	302
Non-current liabilities		
Interest rate collars	308	628
Total non-current derivative financial instrument liabilities	308	628
Total derivative financial instrument liabilities	606	930

(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 34% (2016: 56%) 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.

	2017	2016
	\$'000	\$'000
Settlement of interest rate collars:		
Less than 1 year Max 6.81%, Min 3.75%	–	5,000
1 to 5 years Max 6.81%, Min 3.75%	10,000	10,000
	10,000	15,000

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

notes to the financial statements for the year ended

11 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 2015						
Cost	55,803	73,050	36,165	1,163	984	167,165
Accumulated depreciation	–	(19,059)	(28,105)	(863)	–	(48,027)
Net book amount	55,803	53,991	8,060	300	984	119,138
Year ended 30 June 2016						
Opening net book amount	55,803	53,991	8,060	300	984	119,138
Additions	–	9	660	109	6,978	7,756
Disposals	–	–	(314)	–	–	(314)
Depreciation charge	–	(1,823)	(1,569)	(85)	–	(3,477)
Transfers	–	–	596	–	(596)	–
Assets classified as held for sale	(306)	(348)	–	–	–	(654)
Closing net book amount	55,497	51,829	7,433	324	7,366	122,449
At 30 June 2016						
Cost	55,497	72,711	36,924	1,272	7,366	173,770
Accumulated depreciation	–	(20,882)	(29,491)	(948)	–	(51,321)
Net book amount	55,497	51,829	7,433	324	7,366	122,449
Year ended 30 June 2017						
Opening net book amount	55,497	51,829	7,433	324	7,366	122,449
Additions	–	–	685	–	12,644	13,329
Disposals	–	–	(50)	–	–	(50)
Depreciation charge	–	(1,922)	(1,499)	(83)	–	(3,504)
Transfers	–	14,181	1,118	–	(15,299)	–
Assets classified as held for sale	–	(6,956)	–	–	–	(6,956)
Closing net book amount	55,497	57,132	7,687	241	4,711	125,268
At 30 June 2017						
Cost	55,497	79,936	38,587	1,272	4,711	180,003
Accumulated depreciation	–	(22,804)	(30,900)	(1,031)	–	(54,735)
Net book amount	55,497	57,132	7,687	241	4,711	125,268

30 June 2017

12 NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	2017 \$'000	2016 \$'000
The balance comprises temporary differences attributable to:		
Provisions and accruals	1,793	506
Derivative financial instrument	182	279
	<u>1,975</u>	<u>785</u>
Set-off of deferred tax liabilities pursuant to set-off provisions (note 19)	(1,975)	(785)
Net deferred tax assets	<u>–</u>	<u>–</u>

	Provisions and accruals \$'000	Derivative financial instrument \$'000	Total \$'000
Movements:			
At 1 July 2015	491	330	821
(Charged)/credited			
– to profit or loss	15	(51)	(36)
At 30 June 2016	<u>506</u>	<u>279</u>	<u>785</u>
At 1 July 2016	506	279	785
(Charged)/credited			
– to profit or loss	1,287	(97)	1,190
At 30 June 2017	<u>1,793</u>	<u>182</u>	<u>1,975</u>

	2017 \$'000	2016 \$'000
Recovery of deferred tax assets		
Deferred tax assets expected to be recovered within 12 months	1,883	597
Deferred tax assets expected to be recovered after more than 12 months	92	188
	<u>1,975</u>	<u>785</u>

13 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

Trade payables and accruals	<u>7,308</u>	3,102
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14 CURRENT LIABILITIES – BORROWINGS

Secured		
Current commercial bill facility	<u>29,000</u>	–
Total secured current borrowings	<u>29,000</u>	–

notes to the financial statements for the year ended

15 CURRENT LIABILITIES – EMPLOYEE BENEFIT OBLIGATIONS	2017 \$'000	2016 \$'000
Employee benefits – long service leave	692	679
Employee benefits – annual leave	758	769
	1,450	1,448
<p>The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the company does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the company does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months:</p>		
	2017 \$'000	2016 \$'000
Current leave obligations expected to be settled after 12 months	379	362
	1,805	482
16 CURRENT TAX LIABILITIES		
Current tax liabilities	1,805	482
17 CURRENT LIABILITIES – OTHER LIABILITIES		
Rents and other income received in advance	2,473	2,647
Rents and other income billed in advance	8,365	6,672
	10,838	9,319
18 NON-CURRENT LIABILITIES – BORROWINGS		
Secured		
Non-current commercial bill facility	–	27,000
Total secured non-current borrowings	–	27,000
(a) Financing arrangements		
Bank loan facility		
Total facilities	50,000	45,350
Used at balance date	(29,000)	(27,000)
Unused at balance date	21,000	18,350
(b) Secured liabilities and assets pledged as security		
<i>First mortgage</i>		
Freehold land and buildings	120,239	107,980
<i>Floating charge</i>		
All other assets	34,457	33,590
Total assets pledged as security	154,696	141,570

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

The availability of finance under the facility is subject to borrowing covenants, which include a number of financial ratio and EBITDA covenants. On 30 June 2017, the company has fallen outside of its EBITDA covenant requirements, but was issued with a letter on 23 August 2017 from the bank waiving its rights in respect to breaches for the period ended 30 June 2017.

30 June 2017

19 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES	2017	2016	
	\$'000	\$'000	
The balance comprises temporary differences attributable to:			
Tax allowances relating to property, plant and equipment	5,175	5,369	
Prepayments	727	591	
	5,902	5,960	
Set-off of deferred tax liabilities pursuant to set-off provisions (note 12)	(1,975)	(785)	
Net deferred tax liabilities	3,927	5,175	
	Property, plant and equipment	Prepayments	Total
	\$'000	\$'000	\$'000
Movements:			
At 1 July 2015	5,008	564	5,572
Charged/(credited)			
– profit or loss	361	27	388
At 30 June 2016	5,369	591	5,960
At 1 July 2016	5,369	591	5,960
Charged/(credited)			
– profit or loss	(194)	136	(58)
At 30 June 2017	5,175	727	5,902
	2017	2016	
	\$'000	\$'000	
Recovery of deferred tax liabilities			
Deferred tax liabilities expected to be recovered within 12 months	727	591	
Deferred tax liabilities expected to be recovered after more than 12 months	5,175	5,369	
	5,902	5,960	
20 NON-CURRENT LIABILITIES – EMPLOYEE BENEFIT OBLIGATIONS			
Employee benefits – long service leave	154	160	

notes to the financial statements for the year ended

21 CONTRIBUTED EQUITY	2017	2016	2017	2016
	Shares	Shares	\$	\$
(a) Share capital				
Issued capital comprises 6,551 (2016: 6,551) fully paid shares of \$1 each				
Flowers Ordinary Shares	262	262	262	262
Growers Ordinary Shares	738	738	738	738
Retail Markets Ordinary Shares	5,060	5,060	5,060	5,060
Warehouse Ordinary Shares	241	241	241	241
Wholesale Ordinary Shares	250	250	250	250
	6,551	6,551	6,551	6,551

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

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

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

(b) Capital risk management

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

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

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

	2017	2016
	\$'000	\$'000
Total borrowings	29,000	27,000
Less: cash and cash equivalents	(3,125)	(3,609)
Net debt	25,875	23,391
Total equity	99,608	93,954
Total capital	125,483	117,345
Gearing ratio	21%	20%

30 June 2017

22 RETAINED EARNINGS	2017	2016
	\$'000	\$'000
Movements in retained earnings were as follows:		
Balance 1 July	93,947	88,103
Net profit for the year	5,654	5,844
Balance 30 June	99,601	93,947

23 DIVIDENDS

(a) Franked dividends

The franked portions of any final dividends recommended after 30 June 2017 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 2018.

	2017	2016
	\$'000	\$'000
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2016 – 30.0%)	49,475	46,936

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	2017	2016
	\$	\$
(a) Key management personnel compensation		
Short-term employee benefits	1,320,719	1,240,765
Post-employment benefits	191,275	203,019
	1,511,994	1,443,784

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.

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)

368,587	355,483
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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)

56,437	63,166
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Apart from the matters mentioned above, no Director has entered into a material contract with Sydney Markets Limited during the financial year.

notes to the financial statements for the year ended

25 REMUNERATION OF AUDITORS	2017	2016
	\$	\$
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>(i) Audit and other assurance services</i>		
Audit and review of financial statements	159,745	155,092
Other assurance services	6,600	9,000
Total remuneration for audit and other assurance services	166,345	164,092
<i>(ii) Taxation services</i>		
Tax compliance services	30,000	21,450
Total remuneration for taxation services	30,000	21,450
<i>(iii) Other services</i>		
Assistance with financial statements preparation	24,372	23,636
Total remuneration for other services	24,372	23,636
Total remuneration of PwC	220,717	209,178

26 CONTINGENCIES

The company had no contingent liabilities or assets at 30 June 2017.

27 COMMITMENTS	2017	2016
	\$'000	\$'000
(a) Operating commitments		
Operating commitments contracted for but not recognised in the financial statements:		
Payable:		
Less than one year	3,182	3,108
Later than one year but not later than five years	13,446	13,036
Later than five years	82,555	86,105
	99,183	102,249
The above commitments relate to the Paddy's Market Haymarket site pursuant to a 30 year licence from 1 January 2010 until 31 December 2039 to Sydney Markets Limited.		
The licence lease is for a fixed annual lump sum payment indexed on 1 January each year by annual CPI.		
(b) Capital expenditure commitments		
Commitments in relation to amounts contracted for at the reporting date, but not recognised as liabilities, payable:		
Less than one year	783	10,166

28 FINANCIAL RISK MANAGEMENT

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

Sydney Markets Limited manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the delivery of Sydney Markets Limited financial targets whilst protecting future financial security.

Primary responsibility for identification and control of financial risks rests with the Finance and Audit Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below.

(a) Interest rate risk

Sydney Markets Limited manages its funding costs by using derivative financial instruments to reduce exposure created by its variable rate debt. Details relating to Sydney Markets Limited hedging are set out in note 10.

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

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

	2017 \$'000	2016 \$'000
Commercial bill facility	29,000	27,000
Interest rate derivatives (notional principal amount)	(10,000)	(15,000)
Net exposure to cash flow interest rate risk	19,000	12,000

The loans drawn down under the commercial bill facility bear an average variable interest rate of 3.08% (2016: 3.51%). The cap and the floor of the collars are 6.81% and 3.75% (2016: 6.81% and 3.75%) respectively.

At 30 June 2017, 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)	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Interest income	(203)	(189)	203	189
Valuation of derivatives	129	193	(143)	(218)

notes to the financial statements for the year ended

28 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

Credit risk with respect to receivables represents the loss that would be recognised if a substantial number of tenants failed to meet their obligations under lease or licence arrangements. The risk is minimal as the majority 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 2017.

	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 2017						
Financial liabilities						
Trade and other payables	(7,308)	–	–	–	(7,308)	(7,308)
Interest bearing loans *	(431)	(29,431)	–	–	(29,862)	(29,000)
Interest rate collars	(149)	(149)	(308)	–	(606)	(606)
	(7,888)	(29,580)	(308)	–	(37,776)	(36,914)
Year ended 30 June 2016						
Financial liabilities						
Trade and other payables	(3,102)	–	–	–	(3,102)	(3,102)
Interest bearing loans *	(432)	(432)	(27,864)	–	(28,728)	(27,000)
Interest rate collars	(151)	(151)	(628)	–	(930)	(930)
Total non-derivatives	(3,685)	(583)	(28,492)	–	(32,760)	(31,032)

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

(d) Foreign currency risk and price risk

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

(e) Fair value measurements

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

30 June 2017

29 FAIR VALUE MEASUREMENTS

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

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

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

30 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the year end on 31 August 2017 the company has completed the sale of 35 Smallwood Avenue Homebush for a price of \$2.5 million. At 30 June 2017, the company disclosed this property as assets classified as held for sale for a carrying amount of \$0.7 million. The gain of \$1.8 million on sale of the property will be recorded in the statement of comprehensive income for the subsequent year ending 30 June 2018.

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

	2017 \$'000	2016 \$'000
Profit for the year	5,654	5,844
Depreciation	3,504	3,477
Net loss on sale of non-current assets	25	20
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	(3,835)	(1,295)
Decrease in current tax assets	–	104
(Decrease) increase in deferred tax liabilities	(1,248)	424
Increase (decrease) in trade and other payables	5,725	(230)
(Decrease) in derivative financial instrument	(324)	(170)
Increase in provision for income taxes payable	1,323	482
(Decrease) increase in employee benefit obligations	(4)	53
Net cash inflow from operating activities	<u>10,820</u>	<u>8,709</u>

Directors' declaration

Directors' declaration

30 June 2017

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 consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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



MR JOHN C. PEARSON
CHAIRMAN



MR WILLIAM L. LYNCH
DIRECTOR

Sydney
20 September 2017

Independent Auditor's report

30 June 2017



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

Report on the financial report

We have audited the accompanying financial report of Sydney Markets Limited (the company), which comprises the balance sheet as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Independent Auditor's report

30 June 2017

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

Auditor's opinion

In our opinion:

- (a) the financial report of Sydney Markets Limited is in accordance with the *Corporations Act 2001*, including:
- giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
 - complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the company's financial report also complies with International Financial Reporting Standards as disclosed in Note 1 (a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 13 to 16 of the directors' report for the year ended 30 June 2017. The Directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

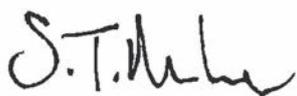
In our opinion, the remuneration report of Sydney Markets Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Sydney Markets Limited (the company) for the year ended 30 June 2017 included on Sydney Markets Limited's website. The company's directors are responsible for the integrity of Sydney Markets Limited's website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this website.



PricewaterhouseCoopers



Shannon Maher
Partner

Sydney
20 September 2017

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NEW FEATURE AVAILABLE ON THE SML TRADERS APP. DOWNLOAD NOW.

A new feature has been added to the SML Traders App which enables business owners to login to a portal and update company contact information.

Simply search for your company name in the trader directory located on the main page of the App and apply the steps below if your company details require updating.



STEP 1

To request login details for your business please email our Property Department at pm@sydneymarkets.com.au with the trading name and primary email address of your company, ie;

Trading name: Fresh Fruit Group
Primary email address: info@freshfruitgroup.com.au

STEP 2

You will receive an email from news@sydneymarkets.com.au with a link, a user ID and password to sign into the portal.

STEP 3

Open the link, enter in the user ID and password and the below screen will appear.

Note: if you are using a mobile device to login you may need to scroll across to the right to access editing options.

TRADER
DIRECTORY



TRANSLATED IN
ANY LANGUAGE



CALENDAR
OF EVENTS



IMPORTANT
NOTIFICATIONS



EDIT COMPANY
INFORMATION

EDIT CONTACT
INFORMATION

EDIT PRODUCT
INFORMATION

DELETE
INFORMATION



The screenshot shows the 'COMPANY INFO' section of the app. It includes a search bar and a table with the following data:

TRADING NAME	CATEGORY	LOCATION	PHONE NO	MOBILE NO	EMAIL	ACTIVE			
TEST	TEST	TEST	TEST	TEST	TEST	TEST			

At the bottom of the table, it says 'SHOWING 1 TO 1 OF 1 ENTRIES' and 'PREVIOUS 1 NEXT'.

Use the above icons to edit your business listing

If you have any further questions or your company is not listed in the trader directory please email our Property Department at pm@sydneymarkets.com.au

SYDNEY MARKETS LIMITED

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Sydney Markets NSW 2129

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