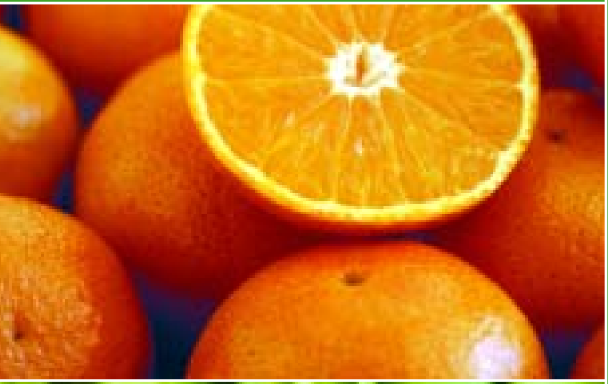

ANNUAL REPORT 2006

SYDNEY MARKETS LIMITED®

providing the best environment that supports competitive trade and effective distribution

financial report
for the year ended
30 June 2006

SYDNEY MARKETS® LIMITED

joint message from the Chairman & CEO

JOINT MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Sydney Markets commemorated 30 years at Flemington during September 2005. Sydney Markets Limited acknowledged over 200 people who have worked at the Flemington site for 30 years and at the same time acknowledged the "Market Legends" who have worked at both the Flemington site and the Haymarket site prior to 1975 and who have achieved 50 or more years of service. This presentation was held at the Sydney Markets Industries Club and it was great to see so many "Market Legends" in the room. The attendance of so many who have been involved with the Markets over many years highlights the camaraderie that exists and is living proof of why our Markets are so strong and effective.

Listed below are areas of importance that remain critical to the ongoing success of our Market not only for the year 2005/2006 but well into the future.

- Paddy's Markets continues to be our most recognized brand and by any measure the most successful retail markets in Australia. This extremely valuable brand franchise continues to deliver strong customer attendance figures. Paddy's, and the range of other retail market activities that are operated in conjunction with it, remain an integral part of SML's business.

- Our Master Plan for Flemington is moving into its final stages. The basis of moving forward has been derived from a comprehensive information gathering exercise that involved overseas market benchmarking throughout Europe and the US, stakeholder workshops and gaining a much clearer understanding of our "business" and our fit within the fresh produce supply chain. The information gathered resulted in a solid base to secure the best possible future for the Markets.

  The culmination of the information gathered so far has highlighted the fact that Sydney Markets is a world leader in central market operations and further confirms our vision to be the most effective market in the world.

  The final stages of the Master Plan will include improvements to operational aspects of the Market and the commencement of a number of long term structural initiatives.

- SML remained highly active in the debate surrounding a Horticultural Code, working in conjunction with both the Central Markets Association of Australia and the Australian Chamber of Fruit and Vegetable Industries. SML has maintained its strong support for a Voluntary Code which would provide Wholesalers and Growers with realistic trading options.

  At the time of preparing this report, negotiations were continuing with the Federal Government.

- Cyclone Larry, one of the worst to hit Australia, left northern Queensland in tatters during March 2006, particularly the town of Innisfail which bore the brunt of the category five storm. This effectively wiped out 90% to 95% of the nation's total banana supply. Needless to say the ramifications of such a tragedy were devastating to the Banana Industry, in particular our Banana Wholesalers. Representations on behalf of our Banana Wholesalers were made to the Federal Government for financial assistance together with a rental deferment package offered by SML. We are confident the banana industry will bounce back with the fruit slowly coming back into the system during the later part of 2006.

- One of the very successful environmental strategies introduced during the reporting period was the Green Point environmental depot. This initiative coupled with a comprehensive stakeholder education process has resulted in organic and cardboard being source separated from our waste streams. During the reporting year 40% of our total waste volume was recycled, which resulted in major savings when compared to the previous year of $278K.

For the year 2005-2006, SML has continued to provide a quality environment that supports competitive trade and effective distribution, whilst delivering a sound financial performance.

Highlights of the operating performance for SML during the year are as follows:

- Profit after tax of $6.1 million was a significant increase on the previous year's profit of $4.3 million. This result was partially as a consequence of the changes in accounting policy and financial reporting - AIFRS and AASB 139 - reporting an additional profit from movement in market values of interest rate hedging instruments and reduced operating costs which can be attributed to the continued focus on cost management. Without AIFRS changes net profit would have been approximately $5.2 million, an increase of 21% on last year.

- Total operating revenue for the year dropped 2% compared to last year. Consistently strong market occupancy levels resulted in underlying growth in Rents, Dues and Fees of a more modest 4%, which is consistent with the strategy of wherever possible minimizing costs for market tenants. The major reason for the decline in revenue was that the prior year benefited from the sale of properties in Warehouse T following the departure of Coles.

  Overall operating costs were down by 7% during the year. The benefits of the review of overheads done in the previous year are beginning to take effect. Reductions in insurance premiums and the benefits from separation of and more efficient waste management procedures have contributed.

- The profit after tax represents a return on equity (shareholder funds) of 20.5%, and a return on funds employed of 5.7%. While the return on funds employed is slightly below a commercial rate, it is consistent with the strategy of balancing SML's financial requirements with the need to provide facilities and services to shareholders at the lowest possible cost.

- Total capital expenditure for the year was $973K, with major initiatives including the installation of Evaporators in Building E Cold Stores, additional fire protection at Flemington, installation of Gas suppression systems and the refurbishment of the Bank of Queensland offices in the Plaza building.

- The SML Board's continued commitment to utilizing the company's strong cash flow to retire debt has seen borrowings for the purchase of the Flemington site reduce from $64.5 million at 1 July 2005 to $56.5 million at 1 July 2006.

The Board accepted the resignation of CEO Mr Ian Parker on 20 February 2006 and acknowledges his contribution over the previous 18 months, especially in strategic planning and the initial groundwork for the Master Plan. Mr Brad Latham was subsequently appointed CEO and took over a strong and vibrant Market, albeit facing many challenges.

joint message from the Chairman & CEO

One of the great strengths of SML is the level of experience and commitment of those involved with the organization. We would like to warmly acknowledge the efforts of SML's Directors, Management, staff and contractors, without whom this year's positive results could not have been achieved. We would particularly like to welcome Mr David Hynes, who joined the Board as an Independent Director during the year. We also acknowledge and thank the members of the Council of Market Representatives and the Paddy's Advisory Committee for their commitment and hard work.

Finally, our principal message to shareholders. The outlook for 2006/07 and beyond is exciting. Whilst we are a world leader in central market operations, the need for continued improvement and understanding of the supply chain and customer base is of utmost importance. To be the most effective market in the world, it is imperative that SML and all stakeholders continue to have a united approach to strive towards this vision.

J. C. PEARSON
CHAIRMAN

B. R. LATHAM
CHIEF EXECUTIVE OFFICER

Directors' report

Directors' report

Your Directors present their report on the Company for the financial year ended 30 June 2006.

Directors

The names of Directors, all of whom are non executive, in office at any time during or since the end of the financial year are:

Mr John C. Pearson	Chairman
Mr William L. Lynch	(Deputy Chairman to 17 May 2006)
Mr Cosimo Cremona	(Deputy Chairman from 17 May 2006)
Mr William E. McMahon	
Mr Colin H. Gray	
Mr Neil W. Mathews	
Mr David J. Whiteman	
Mr Anthony G.Bassil	(since 11 July 2005)
Mr Salvatore Russo	(until 11 July 2005)
Mr David W. Hynes	(since 19 October 2005)

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

Company Secretary

The following person held the position of Company Secretary at the end of the financial year:
Adrian Spragg – B.Com/LL.B (UNSW), Chartered Accountant. Mr Spragg's 27 years experience in Australia and overseas commenced in the audit and tax fields with a large Chartered Accounting practice, followed by various financial and general managerial roles in the fields of banking, industrial products, trading and import and distribution. He joined the Company and was appointed Company Secretary on 1 August 2005.

Principal Activities

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

Operating Results

The after tax profit of the Company for the year ended 30 June 2006, as disclosed in the accounts, amounted to $6,107,000.

The larger than expected profit has been significantly influenced by non cashflow and non tax return impacting accounting adjustments we are required to make to comply with the Australian equivalent to International Financial Reporting Standards (AIFRS). The after tax profit under previous Australian Generally Accepted Accounting Principles (AGAAP) would have been $5,215,000 and Retained Earnings and Equity would have been approximately $38 million.

The operating results are in line with the Board's expectations and reflect conscious efforts to reign in costs without sacrificing levels of service. Reduced operating revenue compared with 2005 is due to lower considerations from the transfer of tenancies in the market. Reduced costs compared with 2005 can be attributed to lower borrowings and interest expense, lower professional fees from the Masterplan study, and savings in insurance and waste removal costs.

Directors' report

Dividend Paid or Recommended

No dividends were paid or recommended during the period. The Company'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 the Company'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 Flemington Site from the NSW Government, the Board's policy has been to use any surplus cash resources to pay down its loan facility with the Bank.

Review Of Operations

Some significant developments in the operations of the Company in the financial period have been:

- Woolworths vacated Warehouse X in March 2006, two years after Coles left Warehouse T and the Markets. Rent continues to be paid under the long term Warehouse X lease taken over from Franklins, and an assignment of lease is expected to be completed soon. Woolworths continue to rent a smaller warehouse on site and remain active buyers in the Markets.
- In 2004, SML engaged UrbisJHD, a leading research, property, planning and economics firm, to conduct a major study to identify and review the long-term needs of Sydney Markets at Flemington. Stage 2, now in progress, is aimed at making better use of the existing Flemington site through improvements in operational efficiency, and the construction of additional warehouse and other facilities.

Significant Changes In State of Affairs

Other than the matters mentioned above, there were no significant changes in the state of affairs of the Company during the year.

Adoption of Australian Equivalents to IFRS

As a result of the introduction of AIFRS, the Company's financial report has been prepared in accordance with those Standards with the resulting effect on profit and equity as indicated above. The reason for this can be summarised as follows:

- The adoption of AIFRS and AASB 139; Financial Instruments – Recognition and Measurement has resulted in reporting an additional profit from movement in market values of interest rate hedging instruments. This profit would not have been reported under Generally Accepted Accounting Principles (GAAP).
- The adoption of AIFRS and AASB 112; Income Taxes has resulted in reporting a prior period Deferred Tax Liability, and current year reduced tax expense from movement in that liability. This increased profit after tax would not have been reported under Generally Accepted Accounting Principles (GAAP).

A reconciliation of adjustments arising on the transition to AIFRS is included in Note 2 to this report.

After Balance Date Events

Except for the matters disclosed in this financial report, the Directors are not aware of any other matter or circumstance that has arisen since 30 June 2006, which 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 in subsequent financial years.

Directors' report

Likely Developments

Apart from the matters mentioned above the Directors are unaware of any other significant event or development in the operations of the Company and the expected results of those operations in future financial years, which will significantly change the state of affairs of the Company or its shareholders.

Environmental Issues

The Company's operations are subject to significant environmental regulation under the law of the Commonwealth and the State. The NSW Government is responsible for environmental issues prior to the hand over date of 1 November 1997.

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. The Company engages independent and registered testing companies to continuously monitor the discharge of trade waste water and other liquid waste from the Flemington site. The Company has complied with all the required regulations during the year ended 30 June 2006.

Information on Directors (as at the date of this report)

John C. PEARSON - **Non-Executive Director & Chairman**

Experience:
- Board Member since 2003
- Experienced and successful finance executive with significant banking, building society and management exposure at senior levels
- Director of Balmain Leagues Club
- Director of Tigers Advisory Group P/L
- Director of R.P. Cricket Pty Ltd – T/A Randwick Petersham Foundation

SML Committees: - Finance & Audit, Remuneration

Interest in shares: - Nil

William E. McMAHON - **Non-Executive Nominee Director – Growers Market**

Experience:
- Board Member since 1999
- Over 49 years experience as a fruit and vegetable grower
- A lifetime experience as an industry representative at executive level on grower organisations
- Secretary, NSW Free Growers Horticultural Council
- Secretary, Lower Nepean/Hawkesbury Water Users Association
- Member, Coastal Valleys Customer Service Committee of State Water
- Past Member, Sydney Markets Industries Group representing sixteen Markets organisations

SML Committees: - Property

Interest in shares: - Nil

Directors' report

Colin H. GRAY	-	**Non-Executive Expertise Director**
Qualifications:	-	Qualified Accountant (CPA)
	-	Associate Fellow, Australian Institute of Management (AFAIM)
	-	Member, Australian Institute of Training and Development (MAITD)
	-	Associate Fellow, Australian Society of Association Executives (AFSAE)
	-	Graduate, Australian Army Command and Staff College (the Army's highest training institution)
Experience:	-	Board Member since 1997
	-	Worked as an accountant in private industry
	-	More than 20 years service with the Australian Army in command, training and operational appointments in Australia, South East Asia, and Europe and with the United Nations in the Middle East. Achieved the rank of Lieutenant Colonel
	-	Over 12 years experience in the Fruit & Vegetables Industry.
	-	Past Chairman, Sydney Markets Industries Group
	-	Chief Executive Officer, The NSW Chamber of Fruit and Vegetable Industries Inc.
	-	Executive Director, The Australian Chamber of Fruit and Vegetable Industries Ltd.
	-	Secretary, Chamber (Holdings) Pty Ltd
	-	Secretary, NSW Chamber Services Pty Ltd
SML Committees:	-	Finance & Audit, Fresh for Kids
Interest in shares:	-	Nil

David J. WHITEMAN	-	**Non-Executive Nominee Director – Warehouses**
Qualifications:	-	BA (Macquarie University) majoring in Economics & Financial Studies
Experience:	-	Board Member since 2004
	-	Over 40 years experience in the fruit and vegetable industry
	-	Director of several companies in the fruit and vegetable industry, including: - C J Lewis Pty Ltd - C J Lewis Aust Pty Ltd - Mount View Orchards Batlow Pty Ltd - Davic Investments Pty Ltd - Chamber (Holdings) Pty Ltd - NSW Chamber Services Pty Ltd
	-	Vice President, The NSW Chamber of Fruit and Vegetable Industries Inc.
	-	Chairman, S.M.C.S. Co-operative Ltd
SML Committees:	-	Chairman, Environment Management
Interest in shares:	-	Nil

Directors' report

Cosimo CREMONA	-	**Non-Executive Nominee Director – Wholesale**
Experience:	-	Board Member since 2002
	-	Over 28 years experience in the fruit and vegetable industry
	-	Director of several companies in the fruit and vegetable industry, including: - Cremona Bros Pty Ltd - Loftden Pty Ltd - S.M.C.S. Co-operative Ltd
	-	Member of the Lions Club, Flemington
	-	Member, NSW Chamber of Fruit and Vegetable Industries Inc.
SML Committees:	-	Environment Management
Interest in shares:	-	3 Wholesale Ordinary Shares and 2 Warehouse Ordinary Shares

William L. LYNCH	-	**Non-Executive Expertise Director**
Experience:	-	Board Member since 1999
	-	Over 50 years in the Australian Horticulture Industry as a grower, wholesaler and retailer
	-	Director of several companies in the flower industry, including: - W & D Lynch Pty Ltd - Carismatic Pty Ltd
	-	Past President, Australian Flower Growers Association
	-	Past President, Flower Growers Group of NSW Inc.
	-	Associate Member, NSW Chamber of Fruit and Vegetable Industries Inc.
SML Committees:	-	Remuneration
Interest in shares:	-	10 Retail Markets Ordinary and 7 Flower Market Ordinary Shares

Neil W. MATHEWS	-	**Non-Executive Nominee Director – Retail Markets**
Qualifications:	-	Engineering Trade – Sydney Technical College
	-	Production Engineering – University of Technology
	-	Post Graduate Subjects – University of NSW
Experience:	-	Board Member since 1997
	-	Foundation Committee original Paddy's Association
	-	Representative, Paddy's Advisory Committee
	-	Past Representative, Sydney Markets Industries Group
SML Committees:	-	Environment Management and Chairman, Property
Interest in shares:	-	Nil

Anthony G. BASSIL	-	**Non-Executive Nominee Director – Flower Market**
Experience:	-	Board Member 1999-2002 and since 2005
	-	50 years involvement in the flower growing and market industry
	-	Director of George Bassil & Son Pty Ltd
	-	Former Vice President of NSW Flower Growers Association
SML Committees:	-	Environment Management
Interest in shares:	-	Nil

Directors' report

David W. HYNES	-	**Non-Executive Independent Director**
Qualifications:	-	B.Ec / LL.B (Sydney University)
Experience:	-	Board Member since 2005
	-	Executive Director of Winston Langley Pty Limited, a property development and property advisory organisation
	-	Director of Manchester Unity Australia Limited
	-	Director of Australian University Sport
SML Committees:	-	Remuneration
Interest in shares:	-	Nil

Meetings of Directors

Details of Directors' meetings held during the financial year ended 30 June 2006 and Directors' attendances at these meetings were as follows:

	Directors' meetings		Finance & Audit Committee meetings	
Director	Number of Meetings held whilst a Director	Meetings attended	Number of Meetings held	Meetings attended
John C. PEARSON	12	12	7	7
Neil W. MATHEWS	12	12	-	-
Cosimo CREMONA	12	12	-	-
Colin H. GRAY	12	12	7	7
William L. LYNCH	12	11	-	-
William E. McMAHON	12	12	-	-
David J. WHITEMAN	12	12	-	-
Anthony G. BASSIL	12	11	-	-
David J. HYNES	9	9	-	-

Directors attended various meetings of other Board committees during the year.

Directors' report

Directors and Officers Remuneration

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

1. Directors' and Officers' Fees and Remuneration as shown in the Company's Financial Statements (note 6).
2. Interests or involvement in a company or entity that has a lease or licence with the Company on terms and conditions no more favourable than those of other Market tenants (note 24).

Indemnifying Officers and Auditors

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

Corporate Governance

Board Composition
The composition of the Board is in accordance with the criteria laid down in the Company's Articles.

Directors' Shareholdings
No Director holds or is able to hold any share in the Company except where he has a share entitlement as a holder of tradeable space in accordance with the Company's Articles.

Directors' Committees
Directors' Committees encompassing finance and audit, environment management, property and remuneration operated during the year and these committees meet on a regular basis.

Internal Controls & Systems
The Company's auditor, WHK Greenwoods, undertake certain risk focused testing procedures of SML's financial systems and procedures, as requested by the Finance and Audit Committee. The Finance and Audit Committee reviews the findings and initiates whatever action is necessary and appropriate.

Ethical Standards
Directors, staff and contractors are required to abide by the Company's Code of Conduct.

Options

No options over shares were granted or redeemed during the period. The Articles of the Company preclude share options.

Directors' report

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any of those proceedings.

The Company was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2006 has been received and can be found on page 12 of the Directors' report.

ROUNDING OF AMOUNTS

The Company has applied the relief available to it in ASIC Class Order 98/100 and, accordingly, amounts in the financial report and Directors' report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of Directors.

J.C. PEARSON
CHAIRMAN

C.H. GRAY
DIRECTOR

Dated at Sydney this 27th day of September, 2006

auditor's independence declaration

WHK Greenwoods

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF SYDNEY MARKETS LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2006 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

WHK Greenwoods

WHK GREENWOODS

DAVID W. SINCLAIR
Principal

Dated at Sydney this 27th day of September 2006

Accountants & Advisers

An Investor Group firm WHK Greenwoods ABN 97 995 683 571
Level 15 309 Kent Street Sydney NSW 2000
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Email mail@whkgreenwoods.com.au
www.whkgreenwoods.com.au

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

income statement for the year ended 30th June 2006

	Note	2006 $000	2005 $000
Operating Revenue	3	43,768	44,576
Other Income	3	1,056	15
		44,824	**44,591**
Property costs		(15,834)	(16,610)
Payroll costs		(4,419)	(4,402)
Repairs and maintenance		(2,419)	(2,959)
Management & administration costs		(788)	(743)
Finance costs	4	(4,475)	(4,807)
Advertising and promotion		(3,525)	(3,805)
Professional fees		(767)	(1,453)
Depreciation & amortisation	4	(4,079)	(4,206)
Total Expenditure		**(36,306)**	**(38,985)**
Profit before income tax	4	8,518	5,606
Income tax expense	5	(2,411)	(1,299)
Profit attributable to members		**6,107**	**4,307**

The accompanying notes form part of these Financial Statements

balance sheet as at 30th June 2006

	Note	30 June 2006 $000	30 June 2005 $000
Current Assets			
Cash and cash equivalents	8	9,430	8,393
Receivables	9	3,491	4,015
Tax Assets	17	-	63
Other Assets	10	1,428	884
Total Current Assets		**14,349**	**13,355**
Non-Current Assets			
Financial Assets	11	-	-
Property, plant, equipment & improvements	13	89,997	93,184
Deferred tax assets	17	2,746	1,762
Total Non-Current Assets		**92,743**	**94,946**
Total Assets		**107,092**	**108,301**
Current Liabilities			
Payables	14	4,249	4,311
Other current liabilities	15	4,936	4,302
Interest bearing liabilities	16	1,250	1,250
Current tax liabilities	17	1,751	-
Provisions	18	109	984
Total Current Liabilities		**12,295**	**10,847**
Non-Current Liabilities			
Interest bearing liabilities	16	56,500	64,500
Deferred tax liabilities	17	8,061	8,231
Provisions	18	102	73
Derivative financial instruments	19	332	-
Total Non-Current Liabilities		**64,995**	**72,804**
Total Liabilities		**77,290**	**83,651**
Net Assets		**29,802**	**24,650**
Equity			
Issued capital	20	7	7
Retained earnings		29,795	24,643
Total Equity		**29,802**	**24,650**

The accompanying notes form part of these Financial Statements

statement of changes in equity for the year ended 30th June 2006

	Note	Issued Capital $000	Retained Earnings $000	Total $000
Balance at 1 July 2004		**7**	**20,336**	**20,343**
Profit attributable to the members		-	4,307	4,307
Balance at 30 June 2005		**7**	**24,643**	**24,650**
Adjustment to retained profits on adoption of AASB 132 and AASB 139, net of tax	2(b)	-	(955)	(955)
Profit attributable to the members		-	6,107	6,107
Balance at 30 June 2006		**7**	**29,795**	**29,802**

The accompanying notes form part of these Financial Statements

cash flow statement
for the year ended 30th June 2006

	Note	2006 $000	2005 $000
Cash Flows from Operating Activities			
Cash receipts from tenants and customers		44,433	44,941
Cash payments to suppliers and employees		(29,103)	(29,418)
Income tax paid		(1,342)	(1,420)
Interest received		393	292
Borrowing costs		(4,475)	(4,807)
Net cash provided by/(used in) operating activities	23(b)	**9,906**	**9,588**
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(973)	(2,044)
Proceeds from sale of property, plant and equipment		104	908
Net cash provided by/(used in) investing activities		**(869)**	**(1,136)**
Cash Flows from Financing Activities			
Repayment of borrowings		(8,000)	(5,750)
Net cash provided by/(used in) financing activities		**(8,000)**	**(5,750)**
Net increase/(decrease) in cash held		1,037	2,702
Cash at beginning of year		8,393	5,691
Cash at end of financial year	23(a)	**9,430**	**8,393**

The accompanying notes form part of these Financial Statements

1. Statement of Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Sydney Markets Limited is a public company limited by shares, incorporated and domiciled in Australia.

The financial report of Sydney Markets Limited complies with all Australian equivalents to International Financial Reporting Standards (AIFRS).

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

First-time Adoption of Australian Equivalents to International Financial Reporting Standards.

Sydney Markets Limited has prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the Company's accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These accounts are the first annual financial statements of Sydney Markets Limited to be prepared in accordance with AIFRS.

The accounting policies set out below have been consistently applied to all years presented. The Company has however elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial Instruments: Recognition and Measurement. Refer to Note 28 for further details on changes in accounting policy.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 2 to this report.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(b) 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 benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

If land and buildings are revalued, increases in the carrying amounts arising on revaluation of land and buildings are credited to reserves in equity.

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

Class of Fixed Asset	Depreciation Rate	Depreciation Method
Buildings	2.5%	Straight-line
Plant and machinery	17%	Straight-line
Fixtures, fittings and equipment	17%	Straight-line
Motor vehicles	22.5%	Diminishing value

Assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount of the asset. Gains and losses on disposals are recognised on a net basis in the income statement.

(c) 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 the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(d) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as follows:

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

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. The Company has determined that its derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

Fair value

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term financial instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial 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 the Company for similar financial instruments.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment loss has arisen. Impairment losses are recognised in the income statement.

(e) Impairment of Assets

At each reporting date, the Company 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 the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) Employee Benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long Service Leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date 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 reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(g) Provisions

Provisions are recognised when the Company 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 obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required to settle them is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(h) Cash and Cash Equivalent

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 on the balance sheet.

(i) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised on an accrual basis as it is earned. Unearned income represents rental and other amounts received or receivable from tenants in respect of periods subsequent to the reporting period.

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

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

(j) Trade Receivables

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

Collectibility 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 the Company 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 the income statement.

(k) Trade and Other Payables

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

(l) Contributed Equity

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

(m) Promotions Levies

Promotions 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.

(n) Goods and Services Tax

Revenues, expenses and assets purchased are recognised net of the amount of goods and services tax (GST). Receivables and payables are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables.

(o) Investments

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by Directors to ensure no impairment indicators exist.

Details of controlled entities are contained in Note 12 to the financial statements. All controlled entities have a 30 June financial year-end. The controlled entity listed in Note 12 did not trade during the year end and is not of material consequence; as such it has not been consolidated.

(p) Rounding of Amounts

The Company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

2. First-Time Adoption of Australian Equivalent to International Financial Reporting Standards (AIFRS)

The following tables summarise the impact on the net assets of the Company of the transition to AIFRS.

Reconciliation of Equity at 1 July 2004

	Note	Previous GAAP at 1 July 2004 $000	Effect of Transition to AIFRS $000	AIFRS at 1 July 2004 $000
Current Assets				
Cash and cash equivalents		5,691		5,691
Receivables		4,141		4,141
Tax Assets		354		354
Other Assets		973		973
Total Current Assets		**11,159**		**11,159**
Non-Current Assets				
Financial Assets		-		-
Property, plant, equipment & improvements		96,803		96,803
Intangible assets		75		75
Deferred tax assets		1,900		1,900
Total Non-Current Assets		**98,778**		**98,778**
Total Assets		**109,937**		**109,937**
Current Liabilities				
Payables		3,261		3,261
Other current liabilities		5,137		5,137
Interest bearing liabilities		1,000		1,000
Provisions		859		859
Total Current Liabilities		**10,257**		**10,257**
Non-Current Liabilities				
Interest bearing liabilities		70,500		70,500
Deferred tax liabilities	2(a)	171	8,601	8,772
Provisions		65		65
Total Non-Current Liabilities		**70,736**	8,601	**79,337**
Total Liabilities		**80,993**	8,601	**89,594**
Net Assets		**28,944**	(8,601)	**20,343**
Equity				
Issued capital		7		7
Retained earnings	2(a)	28,937	(8,601)	20,336
Total Equity		**28,944**	(8,601)	**20,343**

Reconciliation of Equity at 30 June 2005

	Note	Previous GAAP at 30 June 2005 $000	Effect of Transition to AIFRS $000	AIFRS at 30 June 2005 $000
Current Assets				
Cash and cash equivalents		8,393		8,393
Receivables		4,015		4,015
Tax Assets		63		63
Other assets		884		884
Total Current Assets		**13,355**		**13,355**
Non-Current Assets				
Property, plant, equipment & improvements		93,184		93,184
Deferred tax assets		1,762		1,762
Total Non-Current Assets		**94,946**		**94,946**
Total Assets		**108,301**		**108,301**
Current Liabilities				
Payables		3,904	407	4,311
Other current liabilities		4,302		4,302
Interest bearing liabilities		1,250		1,250
Provisions		1,391	(407)	984
Total Current Liabilities		**10,847**		**10,847**
Non-Current Liabilities				
Interest bearing liabilities		64,500		64,500
Deferred tax liabilities	2(a)	-	8,231	8,231
Provisions		73		73
Total Non-Current Liabilities		**64,573**	8,231	**72,804**
Total Liabilities		**75,420**	8,231	**83,651**
Net Assets		**32,881**	(8,231)	**24,650**
Equity				
Issued capital		7		7
Retained earnings	2(a)	32,874	(8,231)	24,643
Total Equity		**32,881**	**(8,231)**	**24,650**

Reconciliation of Profit or Loss for the year ended 30 June 2005

	Note	Previous GAAP Year Ended 30 June 2005 $000	Effect of Transition to AIFRS Year Ended 30 June 2005 $000	AIFRS Year Ended 30 June 2005 $000
Revenue		44,576		44,576
Other Income		15		15
Total Revenue		**44,591**		**44,591**
Property costs		(16,610)		(16,610)
Payroll costs		(4,402)		(4,402)
Repairs and maintenance		(2,959)		(2,959)
Management & administration costs		(743)		(743)
Finance costs		(4,807)		(4,807)
Advertising and promotion		(3,805)		(3,805)
Professional fees		(1,453)		(1,453)
Depreciation & amortisation		(4,206)		(4,206)
Total Expenditure		**(38,985)**		**(38,985)**
Profit before income tax		5,606		5,606
Income tax expense	2(a)	(1,669)	370	(1,299)
Profit attributable to members		**3,937**	**370**	**4,307**

Reconciliation of Profit or Loss for the year ended 30 June 2006

	Note	Previous GAAP Year Ended 30 June 2006 $000	Effect of Transition to AIFRS Year Ended 30 June 2006 $000	AIFRS Year Ended 30 June 2006 $000
Revenue		43,768		43,768
Other Income	28	24	1,032	1,056
Total Revenue		**43,792**	**1,032**	**44,824**
Property costs		(15,834)		(15,834)
Payroll costs		(4,419)		(4,419)
Repairs and maintenance		(2,419)		(2,419)
Management & administration costs		(788)		(788)
Finance costs		(4,475)		(4,475)
Advertising and promotion		(3,525)		(3,525)
Professional fees		(767)		(767)
Depreciation & amortisation		(4,079)		(4,079)
Total Expenditure		**(36,306)**		**(36,306)**
Profit before income tax		7,486	1,032	8,518
Income tax expense	2(a)	(2,271)	170	
	28		(310)	(2,411)
Profit attributable to members		**5,215**	892	**6,107**

Notes to the reconciliation of equity and profit and loss at 1 July 2004 and 30 June 2005.

(a) Income Taxes

Accounting Standard AASB 112 "Income Taxes", requires the balance sheet liability approach as opposed to the previous AGAAP policy, which applied the profit and loss approach, to calculating deferred tax balances. Under this new method, temporary differences are identified for each asset and liability rather than accounting for the effects of timing and permanent differences between taxable income and accounting profit. The effect of the change is set out below.

At 1 July 2004 there has been an increase in deferred tax liabilities and a decrease in retained earnings. This is primarily in respect of temporary differences arising from the non-tax depreciable component of buildings. Under current AIFRS interpretations, the tax cost base is equal to the future tax depreciation allowed rather than the capital gains tax cost base of these assets because their value is expected to be recovered by the Company through use, rather than through sale. The amount of the deferred tax liability is as follows:

	$000
Recognition of deferred tax liability at 1 July 2004	8,601
Adjustment to income tax expense for the 2005 year	(370)
Closing deferred tax liability balance at 30 June 2005	**8,231**
Adjustment to income tax expense for the 2006 year	(170)
Closing deferred tax liability balance at 30 June 2006	**8,061**

(b) Derivative Financial Instruments

The Company has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The Company has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. The effect of this adjustment is as follows:

	$000
Fair value of derivative financial instrument at 1 July 2005	(1,364)
Less: Deferred tax asset	409
Adjustment to retained earnings at 1 July 2005	**(955)**

Refer note 28 for the impact of this change on the 2006 income statement.

	2006 $000	2005 $000
3. REVENUE		
Operating Activities		
Rents	17,110	16,365
Dues & fees	15,747	15,225
Other operating income	7,230	7,036
Advertising & promotion	2,834	3,040
Consideration on transfer of licences & leases	321	2,526
Bank and term deposit interest	393	292
Other revenue	133	92
TOTAL REVENUE	**43,768**	**44,576**
Non-operating Activities		
Fair value gains on derivative financial instruments	1,032	-
Net (loss)/gain on disposal of property, plant & equipment	24	15
OTHER INCOME	**1,056**	**15**

4. PROFIT FOR THE YEAR

Profit from ordinary activities before income tax has been determined after:

	2006 $000	2005 $000
Expenses:		
Finance costs from external parties	**4,475**	**4,807**
Depreciation of non-current assets:		
- Buildings	1,267	1,266
- Plant and equipment	2,673	2,923
- Leasehold improvements	139	17
Total depreciation & amortisation	**4,079**	**4,206**
Provision for employee entitlements	**311**	**369**
Rental expense on operating leases	**3,307**	**3,129**

	Note	2006 $000	2005 $000
5. INCOME TAX EXPENSE			
(a) The components of tax expense comprise:			
Current tax		973	1,090
Deferred tax	17	1,154	231
Under/(over) provision prior years		284	(22)
		2,411	**1,299**
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2005: 30%)		2,555	1,682
Add:			
Tax effect of:			
Other non-allowable items		7	9
Adjustment for (over)/under provision of tax in prior year		18	(22)
Adjustment to tax cost base of buildings, plant & equipment		(169)	(370)
Income tax expense attributable to operating profit		**2,411**	**1,299**
The applicable weighted average effective tax rates are as follows:		**28%**	**23%**

The increase in the weighted average effective tax rate for 2006 is a result of decreasing tax allowances on property, plant and equipment compared to 2005.

(c) Balance of franking account at the year-end adjusted for franking credits arising from payment of income tax payable and franking credits that may be prevented from distribution in subsequent financial years. Under legislation that took effect on 1st July 2002, the amount recorded in the Franking Account is the amount of Australian Income Tax paid, rather than franking credits based on after tax profits.		**19,176**	**17,935**

6. Key Management Personnel Compensation

(a) Names And Positions Held Of Key Management Personnel In Office At Any Time During The Financial Year Are:

(i) Directors

Key Management Person	Position
Mr J. C. Pearson	Chairman & Non-executive Director
Mr W. E. McMahon	Non-executive Director
Mr C. H. Gray	Non-executive Director
Mr C. Cremona	Non-executive Director
Mr N. W. Mathews	Non-executive Director
Mr S. Russo	Non-executive Director (until 11 July 2005)
Mr W. L. Lynch	Non-executive Director
Mr D. J. Whiteman	Non-executive Director
Mr A. G. Bassil	Non-executive Director (since 11 July 2005)
Mr D. W. Hynes	Non-executive Director (since 19 October 2005)

(ii) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, during the financial year:

Key Management Person	Position
Mr B.R. Latham	Chief Executive Officer (from 20 February 2006) General Manager (to 20 February 2006)
Mr I. S. Parker	Chief Executive Officer (to 20 February 2006)
Mr A. Spragg	Chief Financial Officer (from 1 August 2005)
Mr C. D'Cruz	Finance Manager (Acting CFO to 1 August 2005)
Mr G. Daras	Head of Operations (from 20 February 2006)
Mr T. C. Hughes	Head of Site Services

(b) Compensation Practices

The Board's policy for determining the nature and amount of compensation of key management for the Company is as follows:

The compensation structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company 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 individual key performance indicators agreed and reviewed on the anniversary of employment date.

The objective of the Company'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 objectives and the creation of value for the continuation of the Central Markets, 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
- 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.

Directors' fees are determined within an aggregate directors' fee pool limit. The pool limit for the 2006 year was $350,000.

(c) KEY MANAGEMENT PERSONNEL COMPENSATION

2006

Key Management Person	Short-term Benefits			Post-employment Benefits	Total	Performance Related
	Cash, salary & commissions	Non-cash benefit	Other	Super-annuation		%
	$000	$000	$000	$000	$000	
Directors						
Mr J. C. Pearson	82	-	-	7	**89**	-
Mr W. E. McMahon	30	1	-	3	**34**	-
Mr C. H. Gray	30	1	-	3	**34**	-
Mr C. Cremona	30	1	-	3	**34**	-
Mr N. W. Mathews	30	1	-	3	**34**	-
Mr W. L. Lynch	30	1	-	3	**34**	-
Mr D. J. Whiteman	30	1	-	3	**34**	-
Mr A. G. Bassil	30	1	-	3	**34**	-
Mr D. W. Hynes	22	1	-	2	**25**	-
Other key management personnel						
Mr B. R. Latham	150	6	-	24	**180**	6%
Mr I. S. Parker	282	-	-	44	**326**	3%
Mr A. Spragg	129	-	-	10	**139**	-
Mr C. D'Cruz	72	5	-	7	**84**	7%
Mr G. Daras	69	5	-	23	**97**	5%
Mr T. C. Hughes	75	10	-	39	**124**	2%
	1,091	**34**	**-**	**177**	**1,302**	

2005

Key Management Person	Short-term Benefits			Post-employment Benefits	Total	Performance Related
	Cash, salary & commissions	Non-cash benefit	Other	Superannuation		%
	$000	$000	$000	$000	$000	
Directors						
Mr J.S. Keniry	47	-	-	4	**51**	-
Mr J.C. Pearson	49	-	1	4	**54**	-
Mr W.E. McMahon	31	-	1	3	**35**	-
Mr C.H. Gray	31	-	1	3	**35**	-
Mr C. Cremona	31	-	1	3	**35**	-
Mr N.W. Mathews	31	-	1	3	**35**	-
Mr S. Russo	31	-	1	3	**35**	-
Mr W.L. Lynch	31	-	1	3	**35**	-
Mr D.J. Whiteman	31	-	1	3	**35**	-
Other key management personnel						
Mr B.R. Latham	143	5	-	25	**173**	3%
Mr I.S. Parker	201	-	-	33	**234**	-
Mr F. Benito de Valle	80	8	-	12	**100**	2%
Mr C. D'Cruz	78	6	-	11	**95**	1%
Mr G. Daras	63	10	-	23	**96**	1%
Mr T.C. Hughes	77	9	-	38	**124**	-
	955	**38**	**8**	**171**	**1,172**	

(d) **SHAREHOLDINGS**

Number of Shares held directly or indirectly, or beneficially held by Key Management Personnel

	Balance 1.7.2005	Net Change Other	Balance 30.6.2006
Mr C. Cremona	5	-	5
Mr W.L. Lynch	15	2	17
Total	**20**	**2**	**22**

	Note	2006 $000	2005 $000
7. AUDITOR'S REMUNERATION			
Remuneration of the auditor of the Company for:			
- Auditing and review of the Financial Statements		108	102
- Other services		21	47
Total Auditor's Remuneration		**129**	**149**
8. CASH AND CASH EQUIVALENTS			
Cash at bank and in hand		6,430	3,393
Interest bearing deposits		3,000	5,000
		9,430	**8,393**
The effective interest rate on short-term bank deposits was 5.58% (2005: 5.49%); these deposits have an average maturity of 30 days.			
9. TRADE AND OTHER RECEIVABLES			
Trade receivables		253	917
Receivables invoiced in advance		2,946	2,585
Allowance for impairment of receivables		(189)	(94)
		3,010	3,408
Accrued income		445	566
Other debtors		36	41
		3,491	**4,015**
10. OTHER CURRENT ASSETS			
Prepayments		**1,428**	**884**

	Note	2006 $	2005 $
11. FINANCIAL ASSETS			
Unlisted investments in controlled entities	12	**1**	**-**

12. Controlled Entities

Controlled Entities	Country of Incorporation	Percentage Owned % 2006	2005
Parent Entity:			
Sydney Markets Limited	Australia	-	-
Subsidiary:			
Flemington Storage Pty Limited	Australia	100%	-

Flemington Storage Pty Ltd was incorporated as a controlled entity on 6th April 2006. Since it did not trade during the year and is not of material consequence, it has not been consolidated.

13. Property, Plant and Equipment

	Note	2006 $000	2005 $000
Freehold Land at cost		32,767	32,767
Total Land		**32,767**	**32,767**
Buildings at cost		50,683	50,683
Less: accumulated depreciation		5,043	3,776
Total Building		**45,640**	**46,907**
Total Land & Buildings		**78,407**	**79,674**
Plant and equipment at cost		23,177	22,442
Less: accumulated depreciation		11,865	9,233
Total Plant & Equipment		**11,312**	**13,209**
Leasehold improvements at cost (Haymarket)		332	332
Less: accumulated amortisation		54	31
Total Leasehold Improvements		**278**	**301**
Total Property, Plant & Equipment		**89,997**	**93,184**

(a) **Movements in Carrying Amounts**

	Freehold Land $000	Buildings $000	Plant & Equipment $000	Leasehold Improvements $000	Total $000
Balance at beginning of year	**32,767**	**46,907**	**13,209**	**301**	**93,184**
Additions	-	-	973	-	973
Disposals	-	-	(81)	-	(81)
Depreciation expense	-	(1,267)	(2,789)	(23)	(4,079)
Balance at end of year	**32,767**	**45,640**	**11,312**	**278**	**89,997**

The Land and Buildings with building fixtures, fittings, plant and equipment were independently valued by UrbisJHD, Registered Property Valuer, as at 31 December 2004. In the valuer's opinion, the "fair value" for financial reporting purposes was $143 million.

	2006 $000	2005 $000
14. Trade and Other Payables		
Sundry creditors and accruals	3,789	3,902
Employee benefits	445	407
Promotions levies	15	2
	4,249	**4,311**
15. Other Current Liabilities		
Rents and other income billed in advance	4,501	3,624
Rents and other income received in advance	435	678
	4,936	**4,302**
16. Borrowings		
(a) **Current** Commercial bill facility	**1,250**	**1,250**
(b) **Non-Current** Commercial bill facility	**56,500**	**64,500**
(c) Total current and non-current secured liabilities: Commercial bill facility	**57,750**	**65,750**

	2006 $000	2005 $000
(d) The carrying amount of non-current assets pledged as security are:		
First mortgage – freehold land & building	78,407	79,674
Floating charge over all other assets	27,725	28,627
Total assets pledged as security	**107,092**	**108,301**

(e) Finance has been provided and will continue to be provided by the bank under the approved commercial bill facility provided the Company does not breach any borrowing covenants, which include a number of financial ratios. As at the date of this report the Company has met all the obligations and covenants set by the bank.

The commercial bill facility is secured by a registered first mortgage over the Flemington market property, as well as an equitable mortgage over the whole of the assets of the Company.

The Company has entered into interest rate swap agreements in order to hedge part of its borrowings against rises in interest rates by converting variable interest rate obligations into fixed rate obligations. The contracts require settlement of the net interest receivable or payable. The net receipt or payment is brought to account as an adjustment to borrowing costs. Net receipts or payments are recognised on an accruals basis. The interest rate swap contracts have maturities 1 July 2009 and 2012.

Additionally, the Company has hedged against increases in interest rates via an interest rate cap agreement. This agreement results in a payment to the Company where interest rates exceed an agreed limit. This agreement expires on 2 July 2007.

The Company has signed a confidentiality agreement with the bank, which forbids the disclosure of sensitive commercial information.

	2006 $000	2005 $000
17. TAX		
(a) LIABILITIES		
Current		
Income tax	**1,751**	**(63)**
Non-Current		
Deferred tax liability comprises:		
Tax allowances relating to property, plant and equipment	8,061	8,231
Total	8,061	8,231
(b) ASSETS		
Deferred tax assets comprises:		
Provisions	411	305
Depreciation relating to property, plant and equipment	2,103	1,178
Fair value gain adjustments	100	-
Other	132	279
Total	2,746	1,762
(c) RECONCILIATIONS		
(i) **Gross Movements**		
The overall movement in the deferred tax account is as follows:		
Opening Balance	6,469	6,700
(Charge)/credit to income statement	(1,154)	(231)
Charge to equity	-	-
Closing Balance	5,315	6,469
(ii) **Deferred Tax Liability**		
The movement in deferred tax liability for each temporary difference during the year is as follows:		
Tax allowances relating to property, plant and equipment:		
Opening Balance	8,231	8,601
Charged to the income statement	(170)	(370)
Closing Balance	8,061	8,231

	2006 $000	2005 $000
(iii) **Deferred Tax Assets**		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Provisions		
Opening Balance	305	209
Credited to the income statement	106	96
Closing Balance	411	305
Property, plant and equipment		
Opening Balance	1,178	941
Credited directly to equity	925	237
Closing Balance	2,103	1,178
Derivative Financial Instruments		
Opening Balance	-	-
Credited to the income statement	100	-
Closing Balance	100	-
Other		
Opening Balance	279	751
Credited/(charged) to the income statement	(147)	(472)
Closing Balance	132	279
Total	2,746	1,762

18. Provisions

	2006 $000	2005 $000
Current		
Public Liability Insurance Claims	-	890
Provision for long-term employee benefits	109	94
	109	**984**
Non-Current		
Provision for long-term employee benefits	**102**	**73**

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

Provision for Public Liability Insurance Claims

	Public Liability Insurance Claims $000
Opening balance at 1 July 2005	890
Amounts used	(890)
Balance at 30 June 2006	-

In August 2005 the Company settled a public liability insurance claim which arose during the period that the Company was insured by HIH Insurance, and that was not insured when HIH went into liquidation in March 2001. The financial effect of this claim was brought to account in the 2005 financial report.

	2006 $000	2005 $000
19. DERIVATIVE FINANCIAL INSTRUMENTS		
Interest rate swaps	**332**	

Gains and losses arising from changes in the fair value of interest rate swaps are recognised in the income statement in the period in which they arise (refer to note 3 and also to note 28).

	2006 $000	2005 $000
20. ISSUED CAPITAL		
6,512 fully paid shares	**7**	**7**

Issued capital comprises:	2006 $	2005 $
255 Flowers Ordinary Shares	255	255
712 Growers Ordinary Shares	712	712
5,060 Retail Markets Ordinary Shares	5,060	5,060
235 Warehouse Ordinary Shares	235	235
250 Wholesale Ordinary Shares	250	250
	6,512	**6,512**

Each ordinary share of the Company 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.

21. Capital and Leasing Commitments

	2006 $000	2005 $000
Operating Lease Commitments contracted for but not capitalised in the accounts:		
Payable		
- Less than 1 year	3,280	3,200
- Longer than 1 year not longer than 5 years	13,044	12,765
- Longer than 5 years	24,316	26,886
	40,640	**42,851**

The above lease commitments relate to the Paddy's Market Haymarket site pursuant to a 25 year licence from 11 December 1993 until 10 December 2018 by The Sydney Market Authority (SMA). SMA assigned the licence to the Company and there has also been a change of immediate landlord which continues to lease the total property from The Darling Harbour Authority on a 99 year lease from 26 April 1988.

The licence is for a percentage of the Company's stallholder revenue, with a minimum per annum lump sum payment indexed on 1 October each year by annual CPI. The initial agreement for Saturday and Sunday trading has been extended to Thursday and Friday trading.

22. Segment Reporting

The Company manages and administers the operations of the largest central produce and retail markets in Australia.

	2006 $000	2005 $000
23. NOTES TO THE STATEMENT OF CASH FLOWS		
(a) **Reconciliation of Cash**		
For the purposes of the Statement of Cash Flows, cash includes:		
Cash at bank	6,430	3,393
Interest bearing deposits	3,000	5,000
	9,430	**8,393**
(b) **Reconciliation of cash flow from operations with profit from ordinary activities after income tax**		
Profit from ordinary activities after income tax	6,107	4,307
Non-cash flows in profit from ordinary activities		
Depreciation and amortisation	4,079	4,206
(Profit)/Loss on disposal of plant & equipment	(24)	(15)
Fair Value gain on derivative financial instruments	(1,032)	-
Decrease from transfers of plant & equipment	-	564
(Increase)/decrease in receivables	524	126
(Increase)/decrease in other current assets	(545)	89
(Increase)/decrease in intangibles	-	75
(Increase)/decrease in deferred tax assets	(574)	429
(Increase)/decrease in deferred tax liabilities	(170)	(370)
(Increase)/decrease in payables	(100)	643
Increase/(decrease) in provisions – current	(743)	439
Increase/(decrease) in unearned income	634	(835)
Increase/(decrease) in tax liabilities - current	1,813	-
Increase/(decrease) in provisions – non-current	(63)	101
Cash flow from operations	**9,906**	**9,588**
(c) **Loan Facilities**		
Loan facilities	69,750	74,750
Amount utilised	(57,750)	(65,750)
Unused loan facilities	**12,000**	**9,000**

The major facilities are summarised as follows:

The Company entered into a 10 year $85 million loan facility (overdraft and commercial bill facility) with a major Australian bank to finance the 1 July 2002 purchase of, and secured over the Flemington markets site and assets of the Company. The facility provides for quarterly principal and interest payments until 1 July 2012. There is a redraw facility on payments in advance of the scheduled principal payments.

Finance will be provided as long as the Company has not breached any borrowing requirements and the quarterly financial ratios are met.

	2006 $000	2005 $000
24. RELATED PARTY TRANSACTIONS		
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties.		
(a) **Transactions with Related Parties**		
(i) The total income received or receivable by the Company from Director-related entities for rents, dues and fees	**663**	**606**
(ii) The total expenditure paid or payable by the Company to Director-related entities for produce, sponsorships and scholarships.	**48**	**30**

The names of Directors concerned with the above transactions were C. Cremona; D.J. Whiteman; C.H. Gray and W.L. Lynch.

(b) **Transactions with Related Parties**

Directors' shareholding details are shown in Note 6.

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

25. FINANCIAL INSTRUMENTS

(a) **Financial Risk Management**

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, and derivatives.

The main purpose of non-derivative financial instruments is to raise finance for the Company's operations.

Derivatives are used by the Company for hedging purposes. Such instruments include interest rate swap agreements. The Company does not speculate in the trading of derivative instruments.

(i) **Treasury Risk Management**

Senior executives of the Company meet on a regular basis to analyse interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

(ii) **Financial Risks**

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk, and credit risk.

Interest Rate Risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. For further details on interest rate risk refer to Note 25(b)(i) and (ii).

Liquidity Risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit Risk

Credit risk represents the loss that would be recognised if tenants failed to meet their obligations under lease or licence arrangements. The risk is substantially reduced as the majority of revenue is invoiced in advance.

There is no significant concentration of credit risk involving any one tenant.

(b) **Financial Instruments**

(i) **Derivative Financial Instruments**

Derivative financial instruments are used by the Company to hedge exposure to interest rate risk associated with movements in interest rates which impact on the borrowings of the Company. Transactions for hedging purposes are undertaken without the use of collateral as only reputable institutions with sound financial positions are dealt with.

Interest rate swaps and cap

Interest rate swaps have been entered into by the Company to protect long term borrowings from the risk of increasing interest rates. Two interest rate swap transactions each of $15 million entered into by the Company which mature on 1 July 2009 and July 2012 exchange variable commercial bill rates for fixed interest payment obligations, while an interest rate cap of 7% based on $40 million notional principal to 2 July 2007 is designed to cap the effective interest rate on the remaining approximate 50% of the loan facility. The settlement dates of the swap contracts correspond with the quarterly interest payments dates of the borrowings. The swap contracts require settlement of the net interest receivable or payable and are brought to account as an adjustment to borrowing costs.

At balance date, the details of interest rate swap contracts are:

	Effective Average Interest Rate Payable		Notional Principal	
Settlement date of:	2006 %	2005 %	2006 $000	2005 $000
Interest rate swaps:				
2 to 5 years	6.44	6.44	15,000	15,000
More than 5 years	6.60	6.60	15,000	15,000
			30,000	**30,000**
Interest rate cap:				
0 to 2 years	7.00	7.00	**40,000**	**40,000**

(ii) **Interest Rate Risk**

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, where the interest rate is not nil, is as follows:

	Weighted Average Effective Interest rate			
Financial Assets	2006 %	2005 %	2006 $000	2005 $000
Cash at bank	3.85	3.75	6,430	3,393
Interest bearing deposit	5.58	5.49	3,000	5,000
Total Financial Assets			**9,430**	**8,393**

	Weighted Average Effective Interest rate		Principal	
Financial Liabilities	2006 %	2005 %	2006 $000	2005 $000
Borrowings with a settlement date of:				
Less than 1 year			1,250	1,250
1 to 2 years			1,250	1,000
2 to 5 years			25,250	33,500
More than 5 years			30,000	30,000
Total	6.49	6.37	**57,750**	**65,750**

(iii) **Net Fair Values**

The net fair values of:

- Borrowings and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value.
- Interest rate swaps are the present value of the future net interest cash flows.
- Other assets and other liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments, forward exchange contracts and interest rate swaps.

Financial assets where the carrying amount exceeds net fair values have not been written down as the Company intends to hold these assets to maturity.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date.

	2006		2005	
	Carrying amount $000	Net fair value $000	Carrying amount $000	Net fair value $000
Loans and receivables	9,430	9,430	8,393	8,393
	9,430	9,430	8,393	8,393
Financial liabilities	9,185	9,185	8,613	8,613
Interest bearing liabilities	57,750	57,750	65,750	65,750
Derivative liabilities	332	332	-	-
	67,267	67,267	74,363	74,363

26. Company Details

Registered Office:

The registered office of the company is:

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

27. Events Occurring After Balance Sheet Date

The financial report was authorised for issue by the Directors on 27 September 2006. The company has the power to amend and reissue the financial report.

28. Change In Accounting Policy

(a) The company has adopted the following Accounting Standards for application from 1 July 2005:

– AASB 132: Financial Instruments: Disclosure and Presentation; and

– AASB 139: Financial Instruments: Recognition and Measurement.

The changes resulting from the adoption of AASB 132 relate primarily to increased disclosures required under the Standard and do not affect the value of amounts reported in the financial statements.

The adoption of AASB 139 has resulted in material differences in the recognition and measurement of the Company's financial instruments. The Company has elected not to adjust comparative information resulting from the introduction of AASB 139 as permitted under the transitional provisions of this Standard. As such, previous Australian Accounting Standards have been applied to comparative information. A summary of the main adjustments that would have resulted if AASB 139 was applied retrospectively are included below.

Derivative Financial Instruments

Under AASB 139, derivative financial instruments are measured at fair value at reporting date. Gains and losses resulting from changes to fair value are taken to the income statement as the Company has determined that its derivative instruments do not qualify for hedge accounting. The Company held interest rate swap agreements at 30 June 2005. If AASB 139 had been applied retrospectively, the following adjustments to comparative figures would have been required:

– All interest rate swap agreements would have been reflected at fair value at 30 June 2005. This would have resulted in a derivative financial asset being recognised at 30 June 2005, with the changes to fair value being taken to the income statement for the year then ended.

– The aggregate effect of the change in accounting policy on the annual financial statements for the year ended 30 June 2006 is as follows:

	Amount Determined Under Previous Policy $000	Adjustment $000	Amount Determined Under New Policy $000
Income Statement			
Fair value gains	-	1,032	1,032
Tax expense	(2,101)	(310)	(2,411)
Balance Sheet			
Derivative financial instrument	-	332	332
Deferred tax asset	2,647	99	2,746
Retained earnings	30,750	(955)	29,795

(b) The following Australian Accounting Standards have been issued or amended and are applicable to the Company but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amend-ment	AASB Standard Affected	Nature of Change in Accounting Policy and Impact	Application Date of the Standard	Application Date for the Company
2004–3	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2006	1 July 2006
	AASB 101: Presentation of Financial Statements	No change, no impact	1 January 2006	1 July 2006
	AASB 124: Related Party Disclosures	No change, no impact	1 January 2006	1 July 2006
2005–1	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
2005–5	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2006	1 July 2006
	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
2005–6	AASB 3: Business Combinations	No change, no impact	1 January 2006	1 July 2006
2005–9	AASB 132: Financial Instruments: Recognition and Measurement	Relates to financial guarantee contracts which may require the Company to recognise a liability in relation to a guarantee provided for banking facilities, approved deeds and property lease rentals.	1 January 2006	1 July 2006
	AASB 139: Financial Instruments: Disclosure and Presentation	The Company is in the process of evaluating the effect of these changes of which the impact is not reasonably estimable at the date of this financial report.	1 January 2006	1 July 2006
2005–10	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2007	1 July 2007
	AASB 101: Presentation of Financial Statements	No change, no impact	1 January 2007	1 July 2007
	AASB 114: Segment Reporting	No change, no impact	1 January 2007	1 July 2007

AASB Amend-ment	AASB Standard Affected	Nature of Change in Accounting Policy and Impact	Application Date of the Standard	Application Date for the Company
	AASB 117: Leases	No change, no impact	1 January 2007	1 July 2007
	AASB 133: Earnings per share	No change, no impact	1 January 2007	1 July 2007
	AASB 132: Financial Instruments: Disclosure and Presentation	No change, no impact	1 January 2007	1 July 2007
	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2007	1 July 2007
	AASB 4: Insurance Contracts	No change, no impact	1 January 2007	1 July 2007
	AASB 1023: General Insurance Contracts	No change, no impact	1 January 2007	1 July 2007
	AASB 1038: Life Insurance Contracts	No change, no impact	1 January 2007	1 July 2007
2006–1	AASB 121: The Effects of Changes in Foreign Exchange Rates	No change, no impact	1 January 2006	1 July 2006
New Standard	AASB 7: Financial Instruments: Disclosure	No change, no impact	1 January 2007	1 July 2007
New Standard	AASB 119: Employee Benefits: December 2004	No change, no impact	1 January 2006	1 July 2006

All other pending Standards issued between the previous financial report and the current reporting dates have no application to the Company.

AASB Amendment	AASB Standard Affected
2005–2	AASB 1023: General Insurance Contracts
2005–4	AASB 139: Financial Instruments: Recognition and Measurement
	AASB 132: Financial Instruments: Disclosure and Presentation
2005–9	AASB 4: Insurance Contracts
	AASB 1023: General Insurance Contracts
	AASB 139: Financial Instruments: Recognition and Measurement
	AASB 132: Financial Instruments: Disclosure and Presentation

Directors' declaration

Directors' declaration

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 13 to 49, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the Company;

2. in the Director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

J.C. Pearson
Chairman

C.H. Gray
Director

Dated at Sydney this 27th day of September, 2006.

WHK Greenwoods

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SYDNEY MARKETS LIMITED

SCOPE

THE FINANCIAL REPORT AND DIRECTORS' RESPONSIBILITY

The financial report comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Sydney Markets Limited (the company) for the year ended 30 June 2006.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

AUDIT APPROACH

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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independent audit report to the members of Sydney Markets Ltd

WHK Greenwoods

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SYDNEY MARKETS LIMITED (CONT'D)

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Sydney Markets Limited is in accordance with:

a. the Corporations Act 2001, including:

   (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and

   (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b. other mandatory professional reporting requirements in Australia.

WHK Greenwoods

WHK GREENWOODS

DAVID W. SINCLAIR
Principal

Dated at Sydney this 27th day of September 2006

Accountants & Advisers

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