Victorian Livestock Exchange Limited
ABN 72 078 839 031
and Controlled Entity

Annual Financial Report
for the year ended 30 June 2005

CORPORATE INFORMATION
ABN 72 078 839 031

Directors
Christopher Sleigh (Non-executive Chairman)
Graham Osborne (Managing Director)
Michael Quinert (Non-executive Director)
Michael Everitt (Non-executive Director)
Gregory Walsh (Non-executive Director)

Company Secretary
Michael Quinert

Registered Office
Level 17, 500 Collins Street
Melbourne Victoria 3000
Ph: (03) 9614 3771

Business Address
Exchange Drive
Pakenham Victoria 3810
Ph: (03) 5940 2121

Solicitors
Oakley Thompson & Co Pty Ltd
Level 17, 500 Collins Street
Melbourne Victoria 3000

Bankers
Westpac Banking Corporation Limited

Accountants
O'Shaughnessy & Associates
49 Whitehorse Road
Balwyn Victoria 3103

Share Register
ASX Perpetual Registrars
Level 4, 333 Collins Street
Melbourne Victoria 3000
Ph: (03) 9615 9999

Auditors
Sinclair Wilson
177 Koroit Street
Warrnambool Victoria 3280

Internet Address
www.vle.com.au

TABLE OF CONTENTS

DIRECTORS' REPORT

Your directors present this report on the company and its controlled entity for the financial year ended 30 June 2005.

1. DIRECTORS

The names and particulars of each person who has been a director during the year and to the date of this report are as follows:

Mr Christopher Sleigh (Non-executive Director, Chairman)

Chris was the original sponsor of a livestock-selling complex at Pakenham, and owned part of the development site. He is a registered commercial builder having 27 years experience in the construction of industrial buildings. He has other industrial property interests in the southeast growth corridor of Melbourne. He also has farming interests in central Victoria.

Mr Graham Osborne Dip. RBM FAICD (Managing Director)

Graham has extensive knowledge of the livestock industry including transportation, marketing and breeding. He has a long history of being active in farmer lobby groups, has been a councillor to Cardinia Shire and retains cattle grazing interests.

Graham is responsible for bringing together all facets of the company's livestock operations, land development activities, corporate reporting functions, financial management and planning and oversees all shareholder related matters. He is also in charge of developing new revenue streams and improving the performance of current revenue streams.

Mr Michael Quinert LL.B., B.Ec (Non-executive Director, Secretary)

Michael is the managing partner of Oakley Thompson & Co. Solicitors & Consultants, and partner in charge of the commercial law and mortgage departments. He is a commercial lawyer with areas of practice including acquisitions, takeovers, capital raising, stock exchange listing rules, licensing agreements, managed investment schemes and commercial contracts.

He was previously a solicitor for the companies department at the Australian Stock Exchange (Melbourne) Limited. He is a director of several public companies including Hedron Limited, Quatro Limited, Peregrine Corporate Limited and Capital First Limited. Mr Quinert's areas of responsibility as a director of the VLE include legal negotiations, legal issues both internal and external, and company compliance advice.

Mr Michael Everitt (Non-executive Director)

Michael is a partner in the livestock agency of Everitt & Seeley Pty Ltd and is a founding shareholder of the VLE. Michael has served as President of the Dandenong (now Pakenham) Stock Agents Association. He has 22 years experience in the industry.

Dr Gregory Walsh MA, PhD (Non-executive Director)

Gregory has considerable experience in Regional Funding and capital raising, acts as a consultant to government and industry on re-structuring and the finance packages to match. He specialises in regional economics and has extensive contacts in municipal fields to which VLE may wish to expand. He is also a director of two unlisted food processing companies.

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

2. COMPANY SECRETARY

The name of the company secretary at the end of the financial year is Mr Michael Quinert.

3. DIVIDENDS PAID OR RECOMMENDED

Dividends paid or declared for payment are as follows:

Ordinary dividend of $0.05 per share recommended by the directors	$167,561
Ordinary dividend paid on 24 February, 2005 as recommended in last year's report	$163,591

DIRECTORS' REPORT CONTINUED

4. PRINCIPAL ACTIVITIES

The principal activities of the economic entity during the financial year were:

- the operation of a livestock exchange; and
- development of the surrounding industrial land.

There have been no significant changes in the nature of the economic entity's principal activities during the financial year.

5. OPERATING RESULT AND REVIEW OF OPERATIONS

(a) Operating Results

Summarised operating results are as follows:

	2005		
	Livestock Operations $	Land Subdivision $	TOTAL $
Revenues	1,811,171	2,287,286	4,098,457
Result before income tax	154,910	1,599,445	1,754,355
Income tax expense			(530,631)
Result after income tax			1,223,724

The annual accounts show a profit before tax of $1,754,355. This is the best result the economic entity has recorded to date and it has been largely driven by land development and sales. It should be recognised that profits of this magnitude from land sales are not sustainable and that eventually VLE will be bereft of excess land to sell. Directors have chosen to apply a considerable portion of the retained profits to business development.

The directors have sanctioned the payment of a dividend of five cents per share.

The land sale "Stage 12" has become unconditional; the transaction has been shown in this year's accounts even though it has not actually settled. This process is in compliance with accounting standards and follows the practice of previous years.

The abnormally high summer rains caused a substantial distortion to the flow of livestock onto the market in February and March and depressed throughput at that time. By comparison, VLE Pakenham has had record throughput in the winter months.

Currently an upgrade of the process for drying sludge from the truck wash is taking place. This is expected to assist with cost control in this area and provide commercial benefit.

Under the Dividend Re-investment Plan (DRP), 79,392 new shares were issued. $64,371 was paid to shareholders as cash dividends for the period.

In respect of the income tax year ended 30 June 2005, the economic entity must pay income tax of $527,055.

The economic entity's mobile electronic ear tag reading service delivered services into Western District of Victoria, East Gippsland and Tasmania during the year. This service has proven to be an excellent promotional tool for the economic entity. The economic entity has delivered advisory services to NSW and Queensland saleyards under the auspices of Meat and Livestock Australia and the relevant Departments of Primary Industries.

The facility at Pakenham continues to attract visitors from all over Australia and from overseas. Of particular interest is VLE's effectiveness and efficiency in recording and reading the now mandatory electronic ear tags.

DIRECTORS' REPORT CONTINUED

5. OPERATING RESULT AND REVIEW OF OPERATIONS (cont'd)

(b) Operational Changes

VLE has vigorously reviewed its drafting, weighing and animal recording system. It has done some preliminary trial work and has now embarked on a full operational trial which focuses on single animal processing, that is to say - each animal will be weighed and recorded as a single item; the drafting is to be done by overhead operated air powered gates. Should the new system prove as successful as expected, VLE will again have taken the saleyard industry a massive leap forward. None the less, within the reporting period there have been no major changes to operations however there has been an amount of fine-tuning in an effort to maximise efficiencies of livestock handling and labour usage and at the same time maintain the integrity of our ISO 9001 Quality Assurance accreditation. VLE continues to maintain a very high standard of operational effectiveness with minimal errors in recording of stock ownership and numbers.

(c) Throughput

While the end of year figure was slightly lower than expected, it was still quite reasonable. As noted earlier, there was a distortion to the flow.

(d) Agents

The agencies operating at the VLE are proving quite stable with all contributing strongly to the performance of the company.

(e) Staff

Key operations and administrative staff are largely unchanged from the previous year, although one casual staff member who had been with VLE since start up retired from the industry.

(f) Floor

The undercover soft floor concept continues to be a success story.

(g) Pens and Water Troughs

With six and a half years elapsed since opening, the company has still not been required to replace any of the gates or water troughs – highlighting the quality of their design and construction.

(h) Workforce Safety

There has been no change to employee work cover claims, no significant injuries have occurred this year.

(i) Industrial Relations

There were no disputes recorded this year and absenteeism is at a minimum.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 23 February 2005, the parent entity executed contracts for the purchase of livestock saleyards at Rocla Road, Traralgon and South Gippsland Highway, Leongatha.

No other significant changes in the state of affairs of the economic entity occurred during the financial year.

DIRECTORS' REPORT CONTINUED

7. AFTER BALANCE DATE EVENTS

On 27 July 2005, the purchase of the livestock saleyard at South Gippsland Highway, Leongatha was settled.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

8. FUTURE DEVELOPMENTS

The directors anticipate that the transaction for the purchase of saleyard at Traralgon will settle in the next reporting period.

The directors are currently considering proposals for the extensive renovation of the saleyard facilities at Leongatha.

Other likely developments in the operations of the economic entity and the expected results of those operations have not been included in this report, as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the economic entity.

9. ENVIRONMENTAL ISSUES

The Victorian Livestock Exchange holds licenses issued by the Environmental Protection Authority and operates within the framework of the "Waste Management Plan" established with South East Water. These licenses regulate the management of truck wash discharges. There have been no known breaches of the company's licence conditions.

10. SHARE OPTIONS

No options over unissued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

11. INDEMNIFYING OFFICERS OR AUDITOR

The company has paid premiums to insure every director of the company against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium paid was $6,330.

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the financial year, to any person who is or has been an auditor of the company.

12. REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Victorian Livestock Exchange Limited.

(a) Remuneration Policy

The remuneration policy, setting the terms and conditions for the directors was developed and approved by the board after seeking professional advice from independent external consultants.

The board policy is to remunerate directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the directors and reviews their remuneration annually, based on market practice, duties and accountability. Fees for directors are not linked to the performance of the economic entity. However, to align director's interests with shareholder interests, the directors are encouraged to hold shares in the company.

DIRECTORS' REPORT CONTINUED

12. REMUNERATION REPORT (cont'd)

(a) Remuneration Policy (cont'd)

All directors receive a base salary and superannuation benefits. The non-executive directors receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. In addition to the mandatory superannuation contribution, the executive director's annual remuneration also includes an additional "salary sacrifice amount" which is, subject to shareholder approval at an annual general meeting, paid into the director's superannuation fund for the purpose of acquiring shares in the company. If shareholder approval is not obtained, this "salary sacrifice amount" is paid to the executive director in cash.

All remuneration paid to directors is valued at the cost to the company and expensed.

(b) Details of Remuneration for Year ended 30 June 2005

The remuneration for each director of the company during the year was as follows:

	Salary, Fees & Commission	Superannuation Contribution	Management Fee to director related entity	TOTAL
Mr C. Sleigh	10,000	900	-	10,900
Mr G. Osborne	95,000	8,550	-	103,550
Mr M. Quinert	-	-	10,000	10,000
Mr M. Everitt	10,000	900	-	10,900
Dr G. Walsh	15,000	1,350	-	16,350
	130,000	**11,700**	**10,000**	**151,700**

(c) Employment Contract of Executive Director

The employment conditions of the managing director, Mr Osborne is formalised in a contract of employment. Other than the managing director, all directors are deemed employees of Victorian Livestock Exchange Limited. Mr Osborne is employed under a fixed five-year contract, which commenced on 1 July 2004 and expires on 30 June 2009.

The employment contract does not stipulate the period of termination notice required and does not provide for any payment on termination.

13. PROCEEDINGS ON BEHALF OF 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 part of those proceedings. The company was not party to any such proceedings during the year.

14. DIRECTORS' MEETINGS

The numbers of meetings of directors held during the year and the number of meetings attended by each director were as follows:

	No of Directors' meetings held while a director	No of Directors' meetings attended	No of Audit Committee meetings held while a director	Number of Audit Committee meetings attended
Christopher Sleigh	14	13	2	2
Graham Osborne	14	14	2	2
Michael Quinert	14	14	-	-
Michael Everitt	14	14	-	-
Gregory Walsh	14	14	2	2

DIRECTORS' REPORT CONTINUED

15. NON-AUDIT SERVICES

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence as the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2005:

	$
Advice on executive director contractual and salary packaging arrangements	1,590

16. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2005 has been received and can be found on page XX of this financial report

Signed in accordance with a resolution of the directors.

C. Sleigh
Director

Melbourne, 2005

SINCLAIR WILSON
Audit Services

VICTORIAN LIVESTOCK EXCHANGE LIMITED

ABN: 72 078 839 031

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF VICTORIAN LIVESTOCK EXCHANGE LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2005 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.

Sinclair Wilson

Felicity Melican
Partner

Date: 30 August 2005

177 Koroit Street
Warrnambool VIC 3280

PARTNERS
W.R. Phillpot FCPA
P.A. McMillan FCPA
P. Cho FCPA
S.J. Knight FCPA
J. Bouwman CA
B.D. Brock CA
M.D. Rea CPA
M.E. Kavanagh CA
W.J. Dunn CA
R.A. Baudinette CA
F.K. Melican CA
D.J. O'Donnell CPA

ASSOCIATES
S.L. D'Cruz FCPA
M.J. Dixon FFPA Dip. FP
K.A. McLeod CPA
L.M. Marris CPA
R.L. Watt CPA
P.L. Ross CA
D.L. Nankervis CPA
P.E. Lamb CPA
B.J. O'Connor CA
S. Dickie CPA
K.R. Grant CPA
W.L. Promnitz Dip. SM
M.J. Klem CA
D. Patterson CPA
S.F. Delaney CA
K.A. Smith CPA
T.J. Killeen CA

CHIEF EXECUTIVE
B.J. Beirne FCPA

CONSULTANTS
W.G. Sinclair FCPA
R.J. McMillan

PALAIS BUILDING
177 Koroit Street
P.O. Box 217
Warrnambool Vic 3280
Tel: (03) 5564 0555
Fax: (03) 5564 0500
Ausdoc DX: 28026
Email:
info@sinclairwilson.com.au
Website:
www.sinclairwilson.com.au

BRANCHES
Camperdown
Cobden
Hamilton
Mortlake
Mt. Gambier
Port Fairy
Terang
Timboon

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

		Economic Entity		Parent Entity	
	Note	**2005**	2004	**2005**	2004
		$	$	**$**	$
Revenues from ordinary activities	2	**4,098,457**	3,359,471	**4,024,459**	3,359,471
Depreciation and amortisation expense	3	**(330,523)**	(310,727)	**(330,523)**	(310,727)
Borrowing costs expense	3	**(152,559)**	(240,671)	**(152,558)**	(240,671)
Employee benefits expense		**(587,875)**	(452,565)	**(587,875)**	(452,565)
Other expenses from ordinary activities		**(1,273,145)**	(1,455,955)	**(1,245,641)**	(1,455,955)
Profit from ordinary activities before income tax expense		**1,754,355**	899,553	**1,707,862**	899,553
Income tax expense relating to ordinary activities	4	**(530,631)**	(278,049)	**(516,683)**	(278,049)
Net profit	19	**1,223,724**	621,504	**1,191,179**	621,504
Increase in asset revaluation reserve	18	**4,706,724**	-	**4,706,724**	-
Increase in retained profits and reserves on adoption of new Accounting Standard	19	**332**	-	**-**	-
Total changes in equity other than those resulting from transactions with owners as owners		**5,930,780**	621,504	**5,897,903**	621,504
Basic and diluted earnings per share (cents per share)	22	**37.1**	19.3		

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2005

		Economic Entity		Parent Entity	
	Note	**2005**	2004	**2005**	2004
		$	$	**$**	$
CURRENT ASSETS					
Cash assets		**30,371**	108,227	**960**	108,227
Receivables	6	**2,277,778**	138,771	**2,261,088**	138,771
Inventories	7	**62,433**	97,448	**58,451**	97,448
Other	8	**30,465**	26,843	**30,465**	26,843
TOTAL CURRENT ASSETS		**2,401,047**	371,289	**2,350,964**	371,289
NON-CURRENT ASSETS					
Other financial assets	9	**-**	-	**12**	-
Property, plant and equipment	10	**12,988,240**	5,925,698	**12,988,240**	5,925,698
Deferred tax assets	11	**14,674**	11,435	**14,674**	11,435
Intangible assets	12	**140,500**	139,500	**140,500**	139,500
TOTAL NON-CURRENT ASSETS		**13,143,414**	6,076,633	**13,143,426**	6,076,633
TOTAL ASSETS		**15,544,461**	6,447,922	**15,494,390**	6,447,922
CURRENT LIABILITIES					
Payables	13	**2,786,492**	86,037	**2,783,246**	86,037
Interest-bearing liabilities	14	**90,808**	-	**90,808**	-
Current tax liabilities	15	**527,055**	140,788	**513,107**	140,788
Provisions	16	**22,983**	15,825	**22,983**	15,825
TOTAL CURRENT LIABILITIES		**3,427,338**	242,650	**3,410,144**	242,650
NON-CURRENT LIABILITIES					
Interest-bearing liabilities	14	**2,183,466**	2,150,000	**2,183,466**	2,150,000
Deferred tax liabilities	15	**283,207**	276,392	**283,207**	276,392
Provisions	16	**9,234**	4,073	**9,234**	4,073
TOTAL NON-CURRENT LIABILITIES		**2,475,907**	2,430,465	**2,475,907**	2,430,465
TOTAL LIABILITIES		**5,903,245**	2,673,115	**5,886,051**	2,673,115
NET ASSETS		**9,641,216**	3,774,807	**9,608,339**	3,774,807
EQUITY					
Contributed equity	17	**3,247,343**	3,148,123	**3,247,343**	3,148,123
Asset revaluation reserve	18	**4,706,724**	-	**4,706,724**	-
Retained profits	19	**1,687,149**	626,684	**1,654,272**	626,684
TOTAL EQUITY		**9,641,216**	3,774,807	**9,608,339**	3,774,807

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity		Parent Entity	
		2005	2004	2005	2004
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**1,943,287**	3,302,635	**1,898,102**	3,302,635
Payments to suppliers and employees		**(1,215,600)**	(1,731,460)	**(1,199,497)**	(1,731,460)
Interest received		**2,800**	10,274	**2,800**	10,274
Borrowing costs		**(154,583)**	(238,510)	**(154,582)**	(238,510)
Income tax paid		**(140,930)**	-	**(140,788)**	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	20(a)	**434,974**	1,342,939	**406,035**	1,342,939
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(564,705)**	(138,192)	**(564,705)**	(138,192)
Purchase of other non-current assets		**(10,000)**	-	**(10,000)**	-
Proceeds from sale of property, plant and equipment		**1,500**	2,307	**1,500**	2,307
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(573,205)**	(135,885)	**(573,205)**	(135,885)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayments of borrowings		**(1,575)**	(1,350,000)	**(1,575)**	(1,350,000)
Proceeds from borrowings		**44,890**	-	**44,890**	-
Payment of dividends		**(64,371)**	(72,686)	**(64,371)**	(72,686)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(21,056)**	(1,422,686)	**(21,056)**	(1,422,686)
NET INCREASE/(DECREASE) IN CASH HELD		**(159,287)**	(215,632)	**(188,226)**	(215,632)
Add opening cash brought forward		**108,227**	323,859	**108,227**	323,859
Increment in cash caused by inclusion of VLE Advisory Services Pty Ltd in the economic entity at 1 July 2004		**472**	-	-	-
CLOSING CASH CARRIED FORWARD	20(b)	**(50,588)**	108,227	**(79,999)**	108,227

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers the economic entity of Victorian Livestock Exchange Limited and its controlled entity, and Victorian Livestock Exchange Limited as an individual parent entity. Victorian Livestock Exchange Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The application of Accounting Standard AASB 1024: Consolidated Accounts and the Corporations Act 2001 have changed the economic entity's accounting policy in respect of the entity included as a controlled entity and incorporated into the consolidated financial statements. As a result of the change in policy VLE Advisory Services Pty Ltd is from 1 July 2004 included as a controlled entity in the economic entity. In accordance with the Standard, a retrospective adjustment of $332 for post-acquisition profits has been made against the balance of retained earnings at 1 July 2004. The change also resulted in an increase in consolidated operating profit after income tax attributable to members of the parent entity of $32,545 from the inclusion of the economic entity's share of the results of VLE Advisory Services Pty Ltd for the year ended 30 June 2005.

Aggregate increments in assets, liabilities and equities of the economic entity caused by the inclusion of VLE Advisory Services Pty Ltd in the economic entity at 1 July 2004 are as follows:

Share of post-acquisition retained profits	332
Increase in:	
Current Assets	
- Cash	472
- Receivables	2
	474
Current Liabilities	
- Current Tax liabilities	(142)
	332

All other accounting policies applied by the entities in the economic entity are consistent with those applied in the prior year financial report. The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report.

(a) Prinicpals of Consolidation

A controlled entity is any entity controlled by Victorian Livestock Exchange Limited. Control exists where Victorian Livestock Exchange Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Victorian Livestock Exchange Limited to achieve the objectives of Victorian Livestock Exchange Limited. The only entity controlled by Victorian Livestock Exchange Limited at any time during the year ended 30 June 2005 is VLE Advisory Services Pty Ltd.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date the control was obtained or until the date control ceased. Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Income Tax

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

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 economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Inventories

Land held for resale

Land held for development and resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of the development. Borrowing costs and holding charges incurred after development are expensed. Profits are brought to account on the signing of an unconditional contract of sale.

Other

Other inventories are measured at the lower of cost and net realisable value.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Land

Freehold land is measured on the fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. It is the policy of the economic entity to have an independent valuation every three years, with annual appraisals being made by the directors.

The revaluation of freehold land has not taken account of the potential capital gains tax on assets acquired after the introduction of capital gains tax.

Buildings

Buildings are measured on the cost basis.

Plant and Equipment

Plant and equipment are measured on the cost basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Property, plant and equipment (cont'd)

The carrying value of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate portion of fixed and variable overheads.

Depreciation

The depreciable amounts of all fixed assets, excluding freehold land, are depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are

Class of Fixed Asset	**Depreciation rate**
Freehold buildings:	2.5% to 40.0%
Plant and equipment:	2.0% to 33.3%

(e) Investments

The investment by Victorian Livestock Exchange Limited in VLE Advisory Services Pty Ltd is measured on the cost basis. The carrying amount of the investment is reviewed annually to ensure it is not in excess of the recoverable amount.

The investments in joint ventures for the National Livestock Exchange Pty Ltd and the NSW Livestock Exchange are carried at recoverable amount in the financial report. They have not been equity-accounted because they have been written down to nil.

(f) Intangibles

Intellectual property

Intellectual property includes the trademarks, logos, names, research material, financial data, records, feasibility studies, copyrights and other material necessary to the establishment and conduct of the business of the company. Intellectual property is valued in the accounts at cost of acquisition and amortised over twenty years. The balance is reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

Option to acquire industrial land

The option to acquire industrial land is recorded at cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Employee Benefits

Provision is made for the economic entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave, sick leave and any other employee entitlements which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the company to employee superannuation funds and are charged as expenses when incurred.

(h) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of outstanding bank overdrafts.

(i) Revenue

Revenue from the sale of industrial land is recognised on the signing of an unconditional contract of sale to customers. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. 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) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(k) Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Impact of Adoption of Australian Equivalents to International Financial Reporting Standards

The company is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the economic entity's and the parent entity's financial statements for the year ended 30 June 2006. On the first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional arrangements will be made retrospectively against retained earnings at 1 July 2004.

The economic entity's management, with the assistance of external consultants, has assessed the significance of the expected changes and is preparing for their implementation. The audit committee is overseeing and managing the economic entity's transition to AIFRS. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

The directors are of the opinion that the key material differences in the economic entity's accounting policies on conversion to AIFRS and the financial effect of these differences, where known, are as follows. Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS or interpretation of the AIFRS requirements changes from the continuing work of the economic entity's audit committee.

(i) Intangible Assets

Under AASB138 "Intangible Assets", an intangible asset with an indefinite useful life is not amortised. Instead, in accordance with AASB136 "Impairment of Assets", the economic entity is required to test an intangible asset with an indefinite useful life for impairment by comparing its recoverable amount with its carrying amount. The directors have identified that the Intellectual Property of the entity has an indefinite useful life. The current policy of the entity is to amortise Intellectual Property on a straight-line basis over 20 years.

Impairment testing as at 1 July 2005 confirmed no impairment of the $180,000 Intellectual Property less accumulated amortisation of $49,500 as disclosed in the economic entity's financial statements as at 30 June 2005. The previously amortised goodwill of $40,500 will, therefore, be reversed resulting in a corresponding increase of $40,500 in retained earnings at 1 July 2004 and an increase in profit amounting to $9,000 for the year ended 30 June 2005.

(ii) Income Tax

Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB112: Income Taxes, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

The most significant impact will be the recognition of a deferred tax liability at 30 June 2005 of approximately $1,412,017 in relation to the asset revaluation. This adjustment will have no effect on profit for the year ended 30 June 2005 as the deferred tax is recognised directly to equity, being a reduction in the asset revaluation reserve.

On transition to AIFRS the estimated cumulative financial effect of the reliably known differences on the parent and economic entity's reported net profit and equity as at 30 June 2005 is summarised below. As noted above, these amounts represent management's best estimates, and could differ from actuals.

(iii) Impairment of Assets

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

AASB 136: Impairment of Assets will require the carrying value of an asset to be determined as the higher of net fair value (after deducting selling costs) or its value in use (that is, based on the future discounted net cash flows to be derived from its use). The Directors do not anticipate any material write down of assets as a result of the first time adoption of AIFRS.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)

	Economic Entity 2005 $	Parent Entity 2005 $
Reconciliation of Net Profit		
Net profit reported under Australian Accounting Standards	1,223,724	1,191,179
Key transitional adjustment:		
- Reversal of amortisation of Intellectual Property (i)	9,000	9,000
Net profit under AIFRS	1,232,724	1,200,179
Reconciliation of Equity		
Total equity reported under Australian Accounting Standards	9,641,216	9,608,339
Retrospective adjustment to equity at 1 July 2004:		
- Reversal of amortisation of Intellectual Property (i)	40,500	40,500
	9,681,716	9,648,839
Increase in current year profit resulting from transition to AIFRS	9,000	9,000
Recognition of deferred tax on revalued assets (ii)	(1,412,017)	(1,412,017)
Total equity under AIFRS	8,278,699	8,245,822

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
2. REVENUE					
Operating activities					
Revenue from sale of land		**2,286,553**	1,626,527	**2,286,553**	1,626,527
Revenue from rendering of services		**1,752,306**	1,664,628	**1,678,308**	1,664,628
Rental revenue		**55,298**	53,428	**55,298**	53,428
Interest received – Other persons/corporations		**2,800**	10,274	**2,800**	10,274
Total revenues from operating activities		**4,096,957**	3,354,857	**4,022,959**	3,354,857
Non-operating activities					
Proceeds on disposal of property, plant and equipment		**1,500**	4,614	**1,500**	4,614
Total revenue		**4,098,457**	3,359,471	**4,024,459**	3,359,471

3. PROFIT FROM ORDINARY ACTIVITIES

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

(a) Expenses and Net Losses

	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
Cost of land sold	**642,146**	892,080	**642,146**	892,080
Depreciation of non-current assets				
Plant and equipment	**76,671**	58,375	**76,671**	58,375
Buildings	**244,852**	230,034	**244,852**	230,034
Total depreciation of non-current assets	**321,523**	288,409	**321,523**	288,409
Amortisation of non-current assets				
Licences	**-**	13,318	**-**	13,318
Intellectual property	**9,000**	9,000	**9,000**	9,000
Total amortisation of non-current assets	**9,000**	22,318	**9,000**	22,318
Total depreciation and amortisation expense	**330,523**	310,727	**330,523**	310,727
Borrowing costs expensed:				
Interest expense				
- Bills of exchange	**150,005**	238,548	**150,005**	238,548
- Bank loans	**534**	-	**534**	-
- Overdraft	**1,140**	33	**1,139**	33
	151,679	238,581	**151,678**	238,581
Other borrowing costs	**880**	2,090	**880**	2,090
Total borrowing costs expense	**152,559**	240,671	**152,558**	240,671

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
3. PROFIT FROM ORDINARY ACTIVITIES (cont'd)					
(a) Expenses and Net Losses (cont'd)					
Rental expense on operating leases - minimum lease payments		-	5,129	-	5,129
Net loss on disposal of non-current assets - property, plant and equipment		**864**	1,065	**864**	1,065
Bad and doubtful debts - trade debtors		-	7,278	-	7,278
4. INCOME TAX EXPENSE					
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% (2004: 30%)		**526,306**	269,866	**512,358**	269,866
Add: Tax effect of					
non-deductible amortisation		**2,700**	6,695	**2,700**	6,695
other non-allowable items		**1,625**	1,488	**1,625**	1,488
Income tax expense attributable to profit from ordinary activities		**530,631**	278,049	**516,683**	278,049
5. DIVIDENDS					
2004 proposed fully franked ordinary dividend of 5 cents per share paid in 2005		**163,591**	-	**163,591**	-
2003 proposed final unfranked ordinary dividend of 5 cents per share paid in 2004		-	159,640	-	159,640
	19	**163,591**	159,640	**163,591**	159,640
(a) Proposed dividends Proposed final fully franked ordinary dividend of 5 (2004: 5) cents per share franked at the tax rate of 30% (2004: 30%)		**167,561**	163,591	**167,561**	163,591
(b) Franking account Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and franking debits arising from payment of proposed dividends		**526,063**	**70,678**	**511,973**	70,678

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
6. RECEIVABLES					
Trade debtors		**140,614**	120,763	**123,924**	120,763
Amount due from sale of industrial land		**2,119,253**	3,300	**2,119,253**	3,300
Sundry debtors		**17,911**	14,708	**17,911**	14,708
		2,277,778	138,771	**2,261,088**	138,771
(a) Related party receivables					
Amounts receivable from:					
- wholly owned subsidiary		**-**	-	**12,123**	-
- director-related entity		**14,879**	14,531	**14,879**	14,531

(b) Terms and conditions:
(i) Trade and sundry debtors are non-interest bearing and generally on 7 day terms.
(ii) Amounts due from sale of industrial land are non-interest bearing and have settlement dates between 7 and 14 days following registration of title with the Registrar of Titles.
(iii) Details of the terms and conditions of related party receivables are set out in note 26

		Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
7. INVENTORIES					
Finished goods at cost		**3,982**	-	**-**	-
Land held for resale at cost					
Cost of acquisition		**40,475**	45,752	**40,475**	45,752
Development expenses capitalised		**17,976**	51,696	**17,976**	51,696
Total inventories at lower of cost and net realisable value		**62,433**	97,448	**58,451**	97,448
8. OTHER CURRENT ASSETS					
Prepayments		**30,465**	26,843	**30,465**	26,843
9. OTHER FINANCIAL ASSETS					
Unlisted investments, at cost					
- shares in controlled entity		**-**	-	**12**	-
Unlisted investments, at recoverable amount					
- Equity in joint ventures with the National Livestock Exchange Pty Ltd and the NSW Livestock Exchange representing formation expenses and other outlays capitalised by the company		**18,149**	18,149	**18,149**	18,149
Less: Provision for write-down to recoverable amount		**(18,149)**	(18,149)	**(18,149)**	(18,149)
		-	-	**-**	-
		-	-	**12**	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
10. PROPERTY, PLANT AND EQUIPMENT					
Freehold land					
At directors' valuation 2005		**4,826,500**	-	**4,826,500**	-
At cost		**1,300,000**	160,251	**1,300,000**	160,251
Total land	10(c)	**6,126,500**	160,251	**6,126,500**	160,251
Buildings					
At cost		**7,987,821**	6,789,691	**7,987,821**	6,789,691
Accumulated depreciation		**(1,566,512)**	(1,321,660)	**(1,566,512)**	(1,321,660)
Total buildings	10(c)	**6,421,309**	5,468,031	**6,421,309**	5,468,031
Total land and buildings		**12,547,809**	5,628,282	**12,547,809**	5,628,282
Plant and equipment					
At cost		**782,090**	563,051	**782,090**	563,051
Accumulated depreciation		**(341,659)**	(265,635)	**(341,659)**	(265,635)
Total plant and equipment	10(c)	**440,431**	297,416	**440,431**	297,416
Total property, plant and equipment		**12,988,240**	5,925,698	**12,988,240**	5,925,698

(a) Valuation of buildings

A directors' valuation of buildings was undertaken on 30 June 2005. This valuation was performed on an open market basis, being the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date. The directors valued all buildings at $6,596,673. As this value was not materially different from book value, the directors elected not to revalue the assets in the financial report.

(b) Buildings in course of construction

	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
Carrying amount of buildings in the course of construction	**62,650**	-	**62,650**	-

(c) Movements in carrying amounts

Movements in the carrying amounts of property, plant and equipment between the beginning and end of the current financial year

	Economic Entity $	Parent Entity $
Freehold Land		
Carrying amount at beginning of year	**160,251**	**160,251**
Additions	**1,300,000**	**1,300,000**
Transfer to inventory on subdivision of land	**(40,475)**	**(40,475)**
Revaluation increment	**4,706,724**	**4,706,724**
Carrying amount at end of year	**6,126,500**	**6,126,500**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
10. PROPERTY, PLANT AND EQUIPMENT (cont'd)					
Movements in carrying amounts (cont'd)					
Buildings					
Carrying amount at beginning of year		**5,468,031**		**5,468,031**	
Additions		**1,198,130**		**1,198,130**	
Depreciation expense		**(244,852)**		**(244,852)**	
Carrying amount at end of year		**6,421,309**		**6,421,309**	
Plant and equipment					
Carrying amount at beginning of year		**297,416**		**297,416**	
Additions		**222,050**		**222,050**	
Disposals		**(2,364)**		**(2,364)**	
Depreciation expense		**(76,671)**		**(76,671)**	
Carrying amount at end of year		**440,431**		**440,431**	
11. DEFERRED TAX ASSETS					
Future income tax benefit		**14,674**	11,435	**14,674**	11,435
The future income tax benefit is made up of estimated tax benefits arising from timing differences					
12. INTANGIBLE ASSETS					
Intellectual property at cost		**180,000**	180,000	**180,000**	180,000
Accumulated amortisation		**(49,500)**	(40,500)	**(49,500)**	(40,500)
		130,500	139,500	**130,500**	139,500
Option to acquire industrial land at cost		**10,000**	-	**10,000**	-
		140,500	139,500	**140,500**	139,500
13. PAYABLES					
Trade creditors		**166,382**	43,996	**166,382**	43,996
Other creditors		**2,136,267**	28,986	**2,136,279**	28,986
Withholding tax payable		**10,061**	6,251	**10,061**	6,251
Goods and services tax		**8,754**	6,804	**5,496**	6,804
Construction costs outstanding		**465,028**	-	**465,028**	-
		2,786,492	86,037	**2,783,246**	86,037

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
13. PAYABLES (cont'd)					
(a) Related party payables:					
Amount payable to:					
- director-related entity		**1,393**	7,012	**1,393**	7,012

(b) Terms and conditions
(i) Trade and other creditors are non-interest bearing and are normally settled on 30 day terms
(ii) Details and terms and conditions of related party payables are set out in note 26

14. INTEREST BEARING LIABILITIES

	Note	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
CURRENT					
Bank overdrafts	20(b)	**80,959**	-	**80,959**	-
Bank loan		**9,849**	-	**9,849**	-
		90,808	-	**90,808**	-
NON-CURRENT					
Bank loan		**33,466**	-	**33,466**	-
Bills of exchange		**2,150,000**	2,150,000	**2,150,000**	2,150,000
		2,183,466	2,150,000	**2,183,466**	2,150,000
(a) Total current and non-current secured liabilities:					
Bank overdraft		**80,959**	-	**80,959**	-
Bank loan		**43,315**	-	**43,315**	-
Bills of exchange		**2,150,000**	2,150,000	**2,150,000**	2,150,000
		2,274,274	2,150,000	**2,274,274**	2,150,000
(b) Carrying amounts of non-current assets pledged as security:					
First Mortgage					
Freehold land and buildings		**10,144,286**	5,628,282	**10,144,286**	5,628,282
Plant and Equipment		**38,762**	-	**38,762**	-
Floating charge over assets		**401,669**	297,416	**401,669**	297,416
Total non-current assets pledged as security		**10,584,717**	5,925,698	**10,584,717**	5,925,698

(c) Details of security
(i) the bank overdrafts and commercial bills are secured by a registered first mortgage over certain freehold properties of the parent entity and a floating charge over the assets of the parent entity.
(ii) the bank loan is secured by registered first mortgage over a motor vehicle owned by the parent entity.

(d) Bills of exchange
Bills payable have been drawn as a source of, primarily, long term finance. They roll over every 45 and 90 days (2004: 90 days) and have effective interest rates of 5.99% and 6.20% (2004: 5.85% and 6.20%)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
15. TAX LIABILITIES					
CURRENT					
Income tax		**527,055**	140,788	**513,107**	140,788
NON-CURRENT					
Provision for deferred income tax		**283,207**	276,392	**283,207**	276,392
16. PROVISIONS					
CURRENT					
Employee entitlements	**21**	**22,983**	15,825	**22,983**	15,825
NON-CURRENT					
Employee entitlements	**21**	**9,234**	4,073	**9,234**	4,073
17. CONTRIBUTED EQUITY					
(a) Issued and paid up capital					
3,351,212 (2004: 3,271,820) fully paid ordinary shares		**3,247,343**	3,148,123	**3,247,343**	3,148,123
(b) Movements in shares on issue					
At the beginning of the reporting period		**3,148,123**	3,061,169	**3,148,123**	3,061,169
Shares issued during the year					
- 79,020 on 30 January 2004		**-**	86,954	**-**	86,954
- 79,392 on 24 February 2005		**99,220**	-	**99,220**	-
At reporting date		**3,247,343**	3,148,123	**3,247,343**	3,148,123

	No of shares	No of shares	No of shares	No of shares
At the beginning of the reporting period	**3,271,820**	3,192,800	**3,271,820**	3,192,800
Shares issued during the year				
- 30 January 2004	**-**	79,020	**-**	79,020
- 24 February 2005	**79,392**	-	**79,391**	-
At reporting date	**3,351,212**	3,271,820	**3,351,211**	3,271,820

(c) Terms and conditions of contributed equity

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

		Economic Entity		Parent Entity	
	Note	**2005**	2004	**2005**	2004
		$	$	**$**	$

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
18. RESERVES					
Asset revaluation reserve		**4,706,724**	-	**4,706,724**	-
Movements during the year					
Opening balance		-	-	-	-
Revaluation increment on freehold land		**4,706,724**	-	**4,706,724**	-
Closing balance		**4,706,724**	-	**4,706,724**	-

The asset revaluation reserve records revaluations of non-current assets

	Note	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
19. RETAINED PROFITS					
Retained profits at beginning of the financial year		**626,684**	164,820	**626,684**	164,820
Net profit after income tax		**1,223,724**	621,504	**1,191,179**	621,504
Retrospective adjustment to retained profits upon application of Accounting Standard AASB 1024: Consolidated Accounts		**332**	-	-	-
Dividends paid	9	**(163,591)**	(159,640)	**(163,591)**	(159,640)
Retained profits at end of year		**1,687,149**	626,684	**1,654,272**	626,684

20. STATEMENT OF CASH FLOWS

(a) Reconciliation of profit from ordinary activities after income tax with cash flow from operations

	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
Profit from ordinary activities after income tax	**1,223,724**	621,504	**1,191,179**	621,504
Non-cash flows in profit from ordinary activities				
Depreciation	**321,523**	288,409	**321,523**	288,409
Amortisation	**9,000**	22,318	**9,000**	22,318
Net loss on disposal of property, plant and equipment	**864**	1,065	**864**	1,065
Changes in assets and liabilities				
Increase in trade and other receivables	**(2,138,995)**	(34,669)	**(2,122,317)**	(34,669)
Decrease in inventory	**35,015**	161,983	**38,997**	161,983
(Increase)/decrease in future income tax benefit	**(3,239)**	121,389	**(3,239)**	121,389
(Increase)/decrease in prepayments	**(3,622)**	319	**(3,622)**	319
Increase/(decrease) in trade and other creditors	**585,445**	(5,955)	**582,197**	(5,955)
Increase in current tax liability	**386,125**	140,788	**372,319**	140,788
Increase in deferred income tax liability	**6,815**	15,871	**6,815**	15,871
Increase in employee entitlements	**12,319**	9,917	**12,319**	9,917
Cash flow from operations	**434,974**	1,342,939	**406,035**	1,342,939

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
20. STATEMENT OF CASH FLOWS (cont'd)					
(b) Reconciliation of cash					
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:					
- cash assets		**30,371**	108,227	**960**	108,227
- bank overdrafts	14	**(80,959)**	-	**(80,959)**	-
Closing cash balance		**(50,588)**	108,227	**(79,999)**	108,227
(c) Financing facilities available					
At balance date, the following financing facilities had been negotiated and were available:					
Total facilities					
- bank overdraft		**100,000**	100,000	**100,000**	100,000
- bill facility		**2,150,000**	2,150,000	**2,150,000**	2,150,000
Facilities used at balance date:					
- bank overdraft		**80,959**	-	**80,959**	-
- bill facility		**2,150,000**	2,150,000	**2,150,000**	2,150,000
Facilities unused at balance date:					
- bank overdraft		**19,041**	100,000	**19,041**	100,000
- bill facility		**-**	-	**-**	-
21. EMPLOYEE ENTITLEMENTS					
The aggregate employee entitlement liability is comprised of:					
Accrued superannuation contributions		**4,024**	2,928	**4,024**	2,928
Provisions (current)	16	**22,983**	15,825	**22,983**	15,825
Provisions (non-current)	16	**9,234**	4,073	**9,234**	4,073
		36,241	22,826	**36,241**	22,826
22. EARNINGS PER SHARE					
The following reflects the income and share data used in the calculation of basic earnings per share:					
Net profit		**1,223,724**	621,504		
		No of shares	No of shares		
Weighted average number of ordinary shares on issue in the calculation of basic earnings per share		**3,299,444**	3,225,833		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

23. REMUNERATION OF DIRECTORS

(a) Names and positions of directors

The names and positions held of parent entity directors in office at any time during the financial year are:

Mr C. Sleigh	Chairman – Non-Executive
Mr G. Osborne	Managing Director – Executive
Mr M. Quinert	Director – Non-Executive
Mr M. Everitt	Director – Non-Executive
Dr G. Walsh	Director – Non-Executive

(b) Parent entity directors' remuneration

Year ended 30 June 2005:	Primary				Post Employment	Equity	Other*	
	Salary, Fees & Commission	Superannuation Contribution	Cash Bonus	Non-Cash Benefits	Superannuation	Options		TOTAL
	$	$	$	$	$	$	$	$
Mr C. Sleigh	10,000	900	-	-	-	-	-	10,900
Mr G. Osborne	95,000	8,550	-	-	-	-	-	103,550
Mr M. Quinert	-	-	-	-	-	-	10,000	10,000
Mr M. Everitt	10,000	900	-	-	-	-	-	10,900
Dr G. Walsh	15,000	1,350	-	-	-	-	-	16,350
	130,000	**11,700**	-	-	-	-	**10,000**	**151,700**

Year ended 30 June 2004:	Primary				Post Employment	Equity	Other*	
	Salary, Fees & Commission	Superannuation Contribution	Cash Bonus	Non-Cash Benefits	Superannuation	Options		TOTAL
	$	$	$	$	$	$	$	$
Mr C. Sleigh	10,000	900	-	-	-	-	-	10,900
Mr G. Osborne	10,000	900	-	-	-	-	-	10,900
Mr M. Quinert	1,667	150	-	-	-	-	8,333	10,150
Mr M. Everitt	10,000	900	-	-	-	-	-	10,900
Dr G. Walsh	15,000	1,350	-	-	-	-	-	16,350
Mr B. Barron (resigned 28 April 2004)	15,000	1,350	-	-	-	-	-	16,350
	61,667	**5,550**	-	-	-	-	**8,333**	**75,550**

* Other remuneration is fees for management services paid to Bardora Pty Ltd, a director-related entity of Mr M. Quinert – refer Note 26.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

23. REMUNERATION OF DIRECTORS (cont'd)

(c) Specified Executives

Executives are those directly accountable and responsible for the operational management and strategic direction of the company. There are no executive officers other than the directors listed above.

(d) Shareholdings

Number of shares held by Parent Entity Directors and their associated entities:

	Balance 01.07.04	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.06.05
Christopher Sleigh					
- as an individual	50,181	-	-	2,008	52,189
- Gay Hartley	4,181	-	-	168	4,349
- Maintangoon Pty Ltd	407,000	-	-	16,280	423,280
- Harjan Pty Ltd	62,727	-	-	2,510	65,237
- Vialima Pty Ltd	52,272	-	-	2,091	54,363
- HCF Australia Superannuation Fund	49,272	-	-	12,371	61,643
	625,633	-	-	35,428	661,061
Graham Osborne					
- Pedrobob Pty Ltd	109,772	-	-	4,391	114,163
- Hurstdale Pastoral Co Pty Ltd	188,181	-	-	7,528	195,709
- Osborne Agcon Pty Ltd	-	-	-	6,240	6,240
- James Osborne	4,000	-	-	160	4,160
	301,953	-	-	18,319	320,272
Michael Quinert					
- as an individual	46,000	-	-	1,840	47,840
- Gold Sea Pty Ltd	296,270	-	-	11,851	308,121
- Quinert Family Trust	59,590	-	-	(8,016)	51,574
- Oakley Thompson & Co Pty Ltd	19,863	-	-	795	20,658
- Quatro Limited	97,568	-	-	3,903	101,471
- Kenneth Norwood Quinert	64,000	-	-	-	64,000
- Kastin Pty Ltd	-	-	-	20,800	20,800
	583,291			31,173	614,464
Michael Everitt					
- Everitt & Seeley Superannuation Fund	52,272	-	-	12,491	64,763
Gregory Walsh					
- as an individual	20,051	-	-	11,203	31,254
- jointly with Teresa Walsh	10,227	-	-	410	10,637
	30,278	-	-	11,613	41,891
TOTALS	1,593,427	-	-	109,024	1,702,451

* Net change other refers to shares acquired via participation in the Dividend Reinvestment Program or shares purchased or sold during the financial year

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

23. REMUNERATION OF DIRECTORS (cont'd)

(e) Remuneration practices

The company's policy for determining the nature and amount of emoluments of board members of the company is as follows:

The board policy is to remunerate directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the directors and reviews their remuneration annually, based on market practice, duties and accountability. Fees for directors are not linked to the performance of the economic entity. However, to align director's interests with shareholder interests, the directors are encouraged to hold shares in the company.

All directors receive a base salary and superannuation benefits. The non-executive directors receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. In addition to the mandatory superannuation contribution, the executive director's annual remuneration also includes an additional "salary sacrifice amount" which is, subject to shareholder approval at an annual general meeting, paid into the director's superannuation fund for the purpose of acquiring shares in the company. If shareholder approval is not obtained, this "salary sacrifice amount" is paid to the executive director in cash.

	Economic Entity		**Parent Entity**	
	2005	2004	**2005**	2004
	$		**$**	$
24. AUDITORS' REMUNERATION				
Remuneration of the auditor of the parent entity for:				
- auditing or reviewing the financial report	**13,059**	13,366	**13,059**	13,366
- other services	**1,590**	-	**1,590**	-

	Country of Incorporation	**Percentage Owned**	
		2005	2004
		%	%
25. CONTROLLED ENTITY			
Parent entity: Victorian Livestock Exchange Limited	Australia	-	-
Subsidiary of Victorian Livestock Exchange Limited:			
VLE Advisory Services Pty Ltd	Australia	**100**	100

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity		Parent Entity	
		2005	2004	**2005**	2004
		$	$	**$**	$
26. RELATED PARTY TRANSACTIONS					
Transactions between the economic entity and director-related entities are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.					
Purchases:					
Purchase of legal services from Oakley Thompson & Co, of which Michael Quinert is a partner		**14,242**	12,239	**14,242**	12,239
Purchase of management services from Bardora Pty Ltd, of which Michael Quinert is a director		**10,000**	8,333	**10,000**	8,333
Purchase of management services from Osborne Agcon Pty Ltd, of Which Graham Osborne is a director		**-**	60,305	**-**	60,305
Payment of shareholder rebates to Hurstdale Pastoral Company Pty Ltd, of which Graham Osborne is a director		**1,255**	1,177	**1,255**	1,177
Purchase of management services from Hurstdale Pastoral Company Pty Ltd, of which Graham Osborne is a director		**5,688**	3,156	**5,688**	3,156
Payment of shareholder rebates to Everitt & Seeley Superannuation Fund, of which Michael Everitt is a trustee		**6,076**	4,773	**6,076**	4,773
Sales:					
Sale of services to Everitt & Seeley Pty Ltd, of which Michael Everitt is a director		**157,175**	159,215	**157,175**	159,215
Sale of industrial land to 6 Huski Pty Ltd, of which Christopher Sleigh is a director		**-**	158,527	**-**	158,527

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

27. SEGMENT REPORTING

The company's operating activities are organised and managed separately according to the nature of the services they provide, with each segment serving different markets. The two segments in which the company operated during the year were

- the operation of the livestock exchange; and
- development and sale of the surrounding industrial land.

Geographically, the company only operates in one segment, being Australia.

There were no intersegment or sales or transfers during the year. Segment accounting policies are the same as the company's policies described in Note 1. During the financial year, there were no changes in segment accounting policies that had a material effect on the segment information.

	Livestock Operations		Land Subdivision		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
	$	$	**$**	$	**$**	$
Revenue						
External sales	**1,811,171**	1,732,944	**2,287,286**	1,626,527	**4,098,457**	3,359,471
Result						
Segment result	**154,910**	190,055	**1,599,445**	709,498	**1,754,355**	899,553
Income tax expense					**(530,631)**	(278,049)
Net profit					**1,223,724**	621,504
Assets						
Segment assets	**13,352,083**	6,334,100	**2,177,704**	102,387	**15,529,787**	6,436,487
Unallocated assets					**14,674**	11,435
Total assets					**15,544,461**	6,447,922
Liabilities						
Segment liabilities	**4,572,562**	2,234,590	**520,421**	290	**5,092,983**	2,234,880
Unallocated liabilities					**810,262**	438,235
Total liabilities					**5,903,245**	2,673,115
Other segment information:						
Acquisition of non-current segment assets	**2,730,180**	138,192	-	-	**2,730,180**	138,192
Depreciation and amortization of segment assets	**330,523**	310,727	-	-	**330,523**	310,727

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

27. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The economic entity'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 interest rates of financial assets and financial liabilities are as follows:

	Floating interest rate $	Fixed interest rate maturing in 1 year or less $	Fixed interest rate maturing 1 to 5 years $	Non-interest bearing $	Total carrying amount per balance sheet $	Weighted average effective interest rate %
AT 30 JUNE 2005:						
(i) Financial assets						
Cash	29,871	-	-	500	30,371	0.05
Trade and other receivables	-	-	-	2,277,778	2,277,778	N/A
Total financial assets	29,871	-	-	2,278,278	2,308,149	
(ii) Financial liabilities						
Payables	-	-		2,786,492	2,786,492	N/A
Bank overdrafts	80,959	-	-	-	80,959	9.5
Bills of exchange	-	2,150,000	-	-	2,150,000	6.2
Bank loan	-	9,849	33,466	-	43,315	7.2
Total financial liabilities	80,959	2,159,849	33,466	2,786,492	5,060,766	

	Floating interest rate $	Fixed interest rate maturing in 1 year or less $	Fixed interest rate maturing 1 to 5 years $	Non-interest bearing $	Total carrying amount per balance sheet $	Weighted average effective interest rate %
AT 30 JUNE 2004:						
(i) Financial assets						
Cash	107,727	-	-	500	108,227	0.05
Trade and other receivables	-	-	-	138,771	138,771	N/A
Total financial assets	107,727	-	-	139,271	246,998	
(ii) Financial liabilities						
Payables	-	-	-	86,037	86,037	N/A
Bills of exchange	-	2,150,000	-	-	2,150,000	6.2
Total financial liabilities	-	2,150,000	-	86,037	2,236,037	

N/A – not applicable for non-interest bearing financial instruments

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

27. FINANCIAL INSTRUMENTS (cont'd)

(b) Net Fair Values

All financial assets and liabilities have been recognised in the statement of financial position at their net fair values. In all cases, the net fair value of financial assets and liabilities approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form.

(c) Credit Risk

The economic entity's maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the statement of financial position and notes to the financial statements. The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

28. ECONOMIC DEPENDENCY

The company is not dependent on any single entity for a significant volume of revenue or financial support.

29. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The directors are not aware of any contingent assets or contingent liabilities at balance date.

30. COMPANY DETAILS

The registered office of the company is:

Victorian Livestock Exchange Limited
C/- Oakley & Thompson & Co
Level 17, 500 Collins Street
Melbourne Vic 3000

The principal places of business are:

Victorian Livestock Exchange Limited
Pakenham Saleyard
Exchange Drive
Pakenham Vic 3810

Victorian Livestock Exchange Limited
Leongatha Saleyard
670 South Gippsland Highway
Koonwarra Vic 3954

Both the economic entity and the parent entity employed 41 employees (both casual and full time) at 30 June 2005 (2004: 38).

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 8 to 32, 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 2005 and of the performance for the year ended on that date of the company and economic entity

2. the Chief Executive Officer has declared that:

    (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

    (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

    (c) the financial statements and notes for the financial year give a true and fair view.

3. in the directors' 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

Graham Osborne
Managing Director

Dated this 13th day of September 2005

SINCLAIR WILSON
Audit Services

VICTORIAN LIVESTOCK EXCHANGE LIMITED
ABN: 72 078 839 031

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF VICTORIAN LIVESTOCK EXCHANGE LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for Victorian Livestock Exchange Limited, for the year ended 30 June, 2005, as set out on pages 8 to 35.

The directors of the credit union 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 credit union. 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 judgement, 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.

Well 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 credit union's financial position, and of its performance as represented by the results of the 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.

PARTNERS
W.R. Phillpot FCPA
P.A. McMillan FCPA
P. Cho FCPA
S.J. Knight FCPA
J. Bouwman CA
B.D. Brock CA
M.D. Rea CPA
M.E. Kavanagh CA
W.J. Dunn CA
R.A. Baudinette CA
F.K. Melican CA
D.J. O'Donnell CPA

ASSOCIATES
S.L. D'Cruz FCPA
M.J. Dixon FFPA Dip. FP
K.A. McLeod CPA
L.M. Marris CPA
R.L. Watt CPA
P.L. Ross CA
D.L. Nankervis CPA
P.E. Lamb CPA
B.J. O'Connor CA
S. Dickie CPA
K.R. Grant CPA
W.L. Promnitz Dip. SM
M.J. Klem CA
D. Patterson CPA
S.F. Delaney CA
K.A. Smith CPA
T.J. Killeen CA

CHIEF EXECUTIVE
B.J. Beirne FCPA

CONSULTANTS
W.G. Sinclair FCPA
R.J. McMillan

PALAIS BUILDING
177 Koroit Street
P.O. Box 217
Warrnambool Vic 3280
Tel: (03) 5564 0555
Fax: (03) 5564 0500
Ausdoc DX: 28026
Email:
info@sinclairwilson.com.au
Website:
www.sinclairwilson.com.au

BRANCHES
Camperdown
Cobden
Hamilton
Mortlake
Mt. Gambier
Port Fairy
Terang
Timboon

Independence

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

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out on page 7 of the financial report has not changed as at the date of providing our audit opinion.

Audit Opinion

In our opinion, the financial report of Victorian Livestock Exchange Limited is in accordance with:

a) the Corporations Act 2001, including:

   i. giving a true and fair view of the credit union's financial position as at 30 June 2005 and of their 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 financial reporting requirements in Australia.

Felicity Melican
Partner

15th September, 2005

177 Koroit Street
Warrnambool VIC 3280

BSX ADDITIONAL INFORMATION

Additional information required by the Bendigo Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 18 August 2005.

(a) Distribution of shareholders

The number of shareholders, by size of holding, in each class of share are:

	Ordinary Shares	
	Number of holders	**Number of shares**
1 - 1,000	4	3,400
1,001 - 5,000	76	183,894
5,001 - 10,000	8	59,257
10,001 - 100,000	37	1,434,145
100,001 and over	8	1,670,516
	133	3,351,212

There are no shareholders holding less than a marketable parcel of shares.

(b) Ten largest shareholders

The names of the ten largest holders of quoted shares are:

		Listed ordinary Shares	
		Number of shares	**Percentage of ordinary shares**
1	Maintangoon Pty Ltd	423,280	12.6%
2	Westmont Holdings Pty Ltd	314,500	9.4%
3	Gold Sea Pty Ltd	308,121	9.2%
4	Hurstdale Pastoral Co Pty Ltd	195,709	5.8%
5	Pedrobob Pty Ltd	114,163	3.4%
6	J. Khalid	108,727	3.2%
7	Bendigo Asset Management	104,545	3.1%
8	Quatro Limited	101,471	3.0%
9	Tribuzi Contractors Pty Ltd	100,000	3.0%
10	Harjan Pty Ltd	65,237	1.9%
		1,835,753	54.6%

BSX ADDITIONAL INFORMATION CONTINUED

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Law are:

	Number of shares
Maintangoon Pty Ltd	423,280
Westmont Holdings Pty Ltd	314,500
Gold Sea Pty Ltd	308,121
Hurstdale Pastoral Co Pty Ltd	195,709

(d) Voting rights

All ordinary shares carry one vote per share without restriction.

CORPORATE GOVERNANCE STATEMENT

The board guides and monitors the business and affairs of Victorian Livestock Exchange Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure the board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the board.

Composition of the Board

The composition of the board is determined in accordance with the following principles and guidelines:

- the board should comprise at least four directors and should maintain a majority of non-executive directors or if need be provide the Chairman a casting vote;
- the chairperson must be a non-executive director;
- the board should comprise directors with an appropriate range of qualifications and expertise; and
- the board shall meet at least monthly and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The directors in office at the date of this statement are:

Name	**Position**
Mr Christopher Sleigh	Chairman, Non-Executive Director
Mr Graham Osborne	Managing Director (Executive)
Mr Michael Quinert	Non-Executive Director
Mr Michael Everitt	Non-Executive Director
Dr Gregory Walsh	Non-Executive Director

Board Responsibilities

As the board acts on behalf of and is accountable to the shareholders, the board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The board seeks to discharge these responsibilities in a number of ways.

The board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the board. The board has a number of mechanisms in place to ensure this is achieved. These mechanisms include the following:

- board approval of a business plan, which encompasses the entity's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk;
- the business plan is a dynamic document and the board is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the entity;
- implementation of operating plans and budgets by management and board monitoring of progress against budget - this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes;
- procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the company's expense;

Communication to Shareholders

The board of directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the directors. Information is communicated to the shareholders through:

- the annual report which is distributed to all shareholders;
- the annual general meeting and other meetings so called to obtain approval for board action as appropriate.

CORPORATE GOVERNANCE STATEMENT

Audit Committee

The board has an audit committee comprising three directors. The names and particulars of audit committee members during or since the end of the financial period are:

Dr Greg Walsh	Chairman, Non- Executive Director
Mr Chris Sleigh	Non-Executive director
Mr Graham Osborne	Non-Executive director

The audit committee met on two occasions during the period ended 30 June 2005.

Other directors, the company's accountant and the external auditors attend audit committee meetings by invitation.

The audit committee's role is to review:
- The annual and half year financial accounts prior to their approval by the board and consider the appropriateness of the underlying policies;
- The efficiency and effectiveness of management information systems and systems of internal control;
- The efficiency and effectiveness of the external audit function, including reviewing the audit plan and ensuring the independence of the auditor; and
- Any reports from the external auditor concerning any matters which arise in connection with the performance of their audit, including the adequacy of internal controls.

Executive and Non-Executive Remuneration

In determining executive remuneration, the remuneration policy takes into consideration community and industry standards to ensure that:

- Employer interests are aligned to corporate objectives; and
- The company attracts and retains superior personnel.

The committee also takes into account a range of additional factors, including overall company performance and the remuneration levels of comparable companies.

The total remuneration of non-executive directors is fixed by ordinary resolution of a general meeting. The individual remuneration of non-executive directors is determined by the full board. Details of each director's remuneration is disclosed in the annual report.

Share Trading

Directors and senior employees are prohibited from trading the company's shares during certain times of the year and otherwise if they possess unpublished price sensitive information.

Directors must notify at least two other directors, one of whom must be the Chairman or Managing Director, prior to buying or selling company shares.

Monitoring Governance Performance

The board's governance performance is systematically appraised on a regular basis.