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

Annual Financial Report
for the year ended 30 June 2006

CORPORATE INFORMATION
ABN 72 078 839 031

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

Company Secretary
Michael Quinert

Registered Office
Level 19, 500 Collins Street
Melbourne Victoria 3000
Ph: (03) 9614 3771

Administration Office
Suite 8, 22-26 Princes Way
Drouin Victoria 3818
Ph: (03) 5625 6200

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
Link Market Services
Level 4, 333 Collins Street
Melbourne Victoria 3000

Auditors
Sinclair Wilson
177 Koroit Street
Warrnambool Victoria 3280

Internet Address
www.vle.com.au

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DIRECTORS' REPORT

Your directors present this report on the company and its controlled entity for the financial year ended 30 June 2006.

1. DIRECTORS

The names and particulars of directors in office at any time during or since the end of the year 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 28 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 a partner of Oakley Thompson & Co. Solicitors & Consultants. 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 Peregrine Corporate Limited and Ascent 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, retired 30 April 2006)

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 23 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.

Mr Brian Rodwell (Non-executive Director, appointed 1 May 2006)

Brian has a lifetime of experience as a stock agent, commencing work with Gippsland and Northern Co. Ltd. at Newmarket while a teenager. He progressed to be the head auctioneer for Australian Estates Pty. Ltd. located at Newmarket. During the turmoil that followed the seventies cattle slump, Brian founded the stock agency business of Brian Rodwell & Co. Over the next twenty-five years the agency became the third largest in Victoria and the Riverina, behind the big pastoral houses of Landmark and Elders, and it still retains that position. After selling his interest in Brian Rodwell & Co, Brian became the Southern Executive Officer of the Australian Livestock and Property Agents Association and was largely responsible for melding its members into an effective political lobby group. He is a director of Everitt & Seeley Pty. Ltd.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. Details of director's interests in shares of the parent entity are disclosed at note 6 of this financial report

DIRECTORS' REPORT CONTINUED

2. COMPANY SECRETARY

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

3. PRINCIPAL ACTIVITIES

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

- the operation of livestock marketing centres;
- the development and sale of surrounding industrial land; and
- the delivery of electronic animal reading services within Victoria, Tasmania and New South Wales.

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

4. DIVIDENDS PAID OR RECOMMENDED

Dividends paid or declared for payment since the start of the financial year are as follows:

Ordinary dividend paid on 28 February, 2006 as recommended in last year's report	$168,000
Final ordinary dividend of 5 cents per share recommended by the directors to be drawn from retained earnings of previous years	$168,000

5. OPERATING RESULT AND REVIEW OF OPERATIONS

(a) Operating Results

Summarised operating results are as follows:

	2006		
	Livestock Operations $000	Land Subdivision $000	TOTAL $000
Revenues	2,226	619	2,845
Segment result	112	147	259
Finance costs			(410)
Result before income tax			(151)
Income tax benefit			44
Result after income tax			(107)

The annual accounts of the economic entity show a net loss of $107,000, which the directors believe is a satisfactory result. As outlined in the annual report of the prior financial year, the directors have continued to use retained profits to further develop and grow the business. The benefits of this growth strategy, which the directors believe is both definite in purpose and holistic in nature, are reflected in the growth of revenue from livestock operations which are now conducted at two major centres and several smaller centres. The reported loss has been driven by two key factors: 1. no sales of industrial land in the reporting period and 2. an increase in financing costs of $257,000. The matter of no land sales is an issue of timing; VLE holds land (Graham Court twelve lots) ready for sale and selling now with a revenue potential of between $2.5m and $3m. The costs of developing this land have been brought to account in the reporting period and are reflected in the increase in "inventories" of $821,000. Three of the lots are under contract and are expected to settle before the end of October. The increase in finance costs is a consequence of funding expansion of the business and the refurbishment of the VLE Leongatha facility which was purchased from Landmark during the reporting period. The directors are satisfied the full benefit of the adopted growth strategy will be seen in the company's bottom line results in the years ahead. VLE expects to settle at least six of the twelve lots for sale in the next financial year; value approximately $1.25m.

The economic entity, through its wholly owned subsidiary, VLE Advisory Services Pty Ltd, continues to be the major provider of electronic reading services to agency owned yards in Victoria, Tasmania and southern NSW.

DIRECTORS' REPORT CONTINUED

(b) Operational changes

The new weighing system Supaway®, utilised for the first time at the Pakenham facility in the current financial year, has had a long and laborious development period. The development of Supaway® was based on three main objectives, these being:

1. traceability / food safety;
2. worker safety; and
3. speed

The system has been successful in achieving the first two goals, and progressed approximately 65% of the way towards the third. Efforts are continuing in tailoring the system to meet the final objective.

All other centres have retained their traditional forms of operation.

VLE commenced operations at another four centres this year – Koonwarra (Leongatha), Traralgon, Korumburra and Sale. The company has purchased a fifth centre at Yarram which is under a usage arrangement with the vendor, David Phelan & Co. All centres are run as separate entities, each with its own management team. All are functioning smoothly.

(c) Throughput

A different throughput pattern was experienced this financial year compared with prior years, with lower than expected summer throughput but better than average winter throughput, however the directors consider the year end figure to be satisfactory.

The peak activity point since commencement of operation was the sixty days between 12th March to 12th May when 80,000 cattle passed through its books under a range of systems. The peak effort crossed three states, five of VLE's own centres and twelve other centres.

(d) Agents

The agencies operating from VLE centres are proving quite stable with all contributing strongly to the performance of the company. VLE now interacts with approximately 200 stock agents.

(e) Staff

Senior staff has continued to make a sterling contribution towards the company's goals. The hardworking and reliable Mr Maurice Schwennesen retired from management of the Pakenham facility and is enjoying a less demanding lifestyle as his own employer on a farm; the company wishes him well.

(f) Floor

The undercover soft floor concept continues to be a success story. VLE Leongatha will have a soft floor when refurbishment is completed.

(g) Pens and Water Troughs

With seven 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. The same troughs have been installed at Leongatha.

(h) Workforce Safety

There has been no change to employee work cover claims, no significant injuries have occurred this year. With the installation of Supaway® at the Pakenham facility, the directors believe the risk of injury to staff from cattle has been reduced by approximately 75%.

(i) Industrial Relations

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

DIRECTORS' REPORT CONTINUED

6. FINANCIAL POSITION

The net assets of the economic entity have decreased by $159,000 from $8,279,000 at 30 June 2005 to $8,120,000 at 30 June 2006.

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

- On 27 July 2005, the purchase of the livestock saleyard at South Gippsland Highway, Leongatha was settled.
- The purchase of the Traralgon saleyard was completed and operations commenced there on 30 October 2005.
- On 16 January 2006, the parent entity executed contracts for the purchase of the rights to operate livestock saleyards at Sale and Korumburra. The Korumburra transaction settled on 10 March 2006.

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

8. ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those Standards. A reconciliation of adjustments arising on the transition to AIFRS is included in Note 2 to this report.

9. AFTER BALANCE DATE EVENTS

On 3 July 2006, the transaction for the purchase of the rights to operate the livestock saleyard at Sale was settled.

On 23 August 2006, the Australian Consumer and Competition Commission (ACCC) announced "it would not oppose recent saleyard acquisitions by Victorian Livestock Exchange Ltd (VLE)..." thus clearing the way for the VLE to complete its expansion strategy in Gippsland.

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.

10. FUTURE DEVELOPMENTS

The directors are hopeful of a finalisation of the refurbishment VLE Leongatha and the transfer of all Korumburra business to VLE Leongatha in the year ended 30 June 2007.

VLE expects to settle at least six of the twelve lots for sale in Graham Court, Pakenham in the next financial year; value approximately $1.25m.

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 inclusion of such information is likely to result in unreasonable prejudice to the economic entity.

11. ENVIRONMENTAL ISSUES

The Victorian Livestock Exchange holds waste discharge licenses with several water boards and other authorities. There have been no known breaches of the company's licence conditions and all licences are uncompromised.

The economic entity's operations are not regulated by any other significant environmental regulation under a law of Commonwealth or of a State or Territory.

DIRECTORS' REPORT CONTINUED

12. OPTIONS

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

13. INDEMNIFYING OFFICERS OR AUDITOR

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 officer or auditor of the company.

14. 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.

15. REMUNERATION REPORT

This report details the nature and amount of remuneration for each director and executive of Victorian Livestock Exchange Limited. Other than the directors of the company, the only other executive is Mrs Julie Khalid.

(a) Remuneration policy

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

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

All directors, except Mr Quinert, and the executive receive a base salary and superannuation benefits. All directors, except Mr Quinert, and the executive 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 managing 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 managing director in cash. Although shareholder approval for the 2005 entitlement was obtained at the last Annual General Meeting, the amount has not been paid at the date of this report.

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

DIRECTORS' REPORT CONTINUED

15. REMUNERATION REPORT (cont'd)

(b) Details of remuneration for year ended 30 June 2006

The remuneration for each director and executive of the consolidated entity during the year was as follows:

	Salary, Fees & Commission $000	Super-annuation Contribution $000	Management Fee to director related entity $000	TOTAL $000
Directors:				
Mr C. Sleigh	10	1	-	11
Mr G. Osborne	95	9	-	104
Mr M. Quinert	-	-	10	10
Mr M. Everitt	8	1	-	9
Dr G. Walsh	15	1	-	16
Mr B. Rodwell	2	-	-	2
	130	**12**	**10**	**152**
Specified Executive:				
Mrs J. Khalid	**41**	**4**	**-**	**45**

(c) Employment Contract of Executive Director

The employment conditions of the managing director, Mr Osborne is formalised in a contract of employment. All directors, except Mr Quinert, and the executive 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.

16. MEETINGS OF DIRECTORS

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	12	12	3	2
Graham Osborne	12	12	3	3
Michael Quinert	12	12	-	-
Michael Everitt	9	9	-	-
Gregory Walsh	12	12	3	3
Brian Rodwell	3	3	-	-

17. NON-AUDIT SERVICES

No non-audit services were provided during the financial year by the auditors to any entity in the economic entity.

18. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 for the year ended 30 June 2006 has been received and can be found on page 8 of this financial report

19. CORPORATE GOVERNANCE

The directors of the company support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the Corporate Governance statement at page 56 of this financial report.

20. ROUNDING OF AMOUNTS

The company is in the class specified in ASIC Class Order 98/100 and accordingly amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars unless otherwise stated.

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

C. Sleigh
Director

Dated this 30th day of September 2006

SINCLAIR WILSON

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 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.

Sinclair Wilson

Felicity Melican
Partner

Date: 30th September, 2006

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INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006	2005	**2006**	2005
		$000	$000	**$000**	$000
Revenue	3	**2,845**	4,097	**2,750**	4,023
Other income	3	**2**	-	**2**	-
Employee benefits expense		**(849)**	(588)	**(849)**	(588)
Depreciation and amortisation expense	4	**(385)**	(322)	**(383)**	(322)
Other expenses		**(1,354)**	(1,271)	**(1,283)**	(1,243)
Finance costs	4	**(410)**	(153)	**(410)**	(153)
Profit before income tax expense		**(151)**	1,763	**(173)**	1,717
Income tax revenue (expense)	5	**44**	(530)	**51**	(517)
Profit for the year		**(107)**	1,233	**(122)**	1,200

Overall Operations

	Note	2006	2005
Basic and diluted earnings per share (cents per share)	9	**(3.17)**	37.37
Dividends per share (cents)	8	**5.00**	5.00

BALANCE SHEET
AS AT 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006	2005	**2006**	2005
		$000	$000	**$000**	$000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	10	**288**	30	**275**	1
Trade and other receivables	11	**361**	2,278	**358**	2,261
Inventories	12	**883**	62	**883**	58
Current tax assets	20	**153**	-	**157**	-
Other current assets	13	**77**	31	**76**	31
TOTAL CURRENT ASSETS		**1,762**	2,401	**1,749**	2,351
NON-CURRENT ASSETS					
Financial assets	14	**-**	-	**-**	-
Property, plant and equipment	16	**16,051**	12,988	**16,023**	12,988
Deferred tax assets	20	**29**	15	**29**	15
Intangible assets	17	**1,436**	190	**1,436**	190
TOTAL NON-CURRENT ASSETS		**17,516**	13,193	**17,488**	13,193
TOTAL ASSETS		**19,278**	15,594	**19,237**	15,544
CURRENT LIABILITIES					
Trade and other payables	18	**1,475**	2,809	**1,482**	2,806
Short-term borrowings	19	**165**	91	**165**	91
Current tax liabilities	20	**-**	527	**-**	513
Short-term provisions	21	**17**	4	**17**	4
TOTAL CURRENT LIABILITIES		**1,657**	3,431	**1,664**	3,414
NON-CURRENT LIABILITIES					
Long-term borrowings	19	**7,798**	2,184	**7,798**	2,184
Deferred tax liabilities	20	**1,699**	1,695	**1,699**	1,695
Long-term provisions	21	**4**	5	**4**	5
TOTAL NON-CURRENT LIABILITIES		**9,501**	3,884	**9,501**	3,884
TOTAL LIABILITIES		**11,158**	7,315	**11,165**	7,298
NET ASSETS		**8,120**	8,279	**8,072**	8,246
EQUITY					
Issued capital	22	**3,363**	3,247	**3,363**	3,247
Reserves		**3,295**	3,295	**3,295**	3,295
Retained earnings		**1,462**	1,737	**1,414**	1,704
TOTAL EQUITY		**8,120**	8,279	**8,072**	8,246

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2006

	Note	Share Capital $000	Retained Earnings $000	Asset Revaluation Reserve $000	TOTAL $000
ECONOMIC ENTITY					
Balance at 1 July 2004	**2**	**3,148**	**667**	**-**	**3,815**
Shares issued during the year		99	-	-	99
Profit for the year		-	1,233	-	1,233
Revaluation increment		-	-	3,295	3,295
Sub-total		3,247	1,900	3,295	8,442
Dividends paid or provided for	8	-	(163)	-	(163)
Balance at 30 June 2005		**3,247**	**1,737**	**3,295**	**8,279**
Shares issued during the year		116	-	-	116
Profit for the year		-	(107)	-	(107)
Sub-total		3,363	1,630	3,295	8,288
Dividends paid or provided for	8	-	(168)	-	(168)
Balance at 30 June 2006		**3,363**	**1,462**	**3,295**	**8,120**
PARENT ENTITY					
Balance at 1 July 2004	**2**	**3,148**	**667**	**-**	**3,815**
Shares issued during the year		99	-	-	99
Profit for the year		-	1,200	-	1,200
Revaluation increment		-	-	3,295	3,295
Sub-total		3,247	1,867	3,295	8,409
Dividends paid or provided for	8	-	(163)	-	(163)
Balance at 30 June 2005		**3,247**	**1,704**	**3,295**	**8,246**
Shares issued during the year		116	-	-	116
Profit for the year		-	(122)	-	(122)
Sub-total		3,363	1,582	3,295	8,240
Dividends paid or provided for	8	-	(168)	-	(168)
Balance at 30 June 2006		**3,363**	**1,414**	**3,295**	**8,072**

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

		Economic Entity		Parent Entity	
	Note	**2006**	2005	**2006**	2005
		$000	$000	**$000**	$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**4,857**	1,943	**4,749**	1,898
Payments to suppliers and employees		**(2,647)**	(1,216)	**(2,562)**	(1,200)
Interest received		**30**	3	**30**	3
Finance costs		**(437)**	(154)	**(437)**	(154)
Income tax paid		**(645)**	(141)	**(629)**	(141)
Net cash provided by operating activities	27a	**1,158**	435	**1,151**	406
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(5,471)**	(565)	**(5,448)**	(565)
Purchase of other non-current assets		**(1,067)**	(10)	**(1,067)**	(10)
Proceeds from sale of property, plant and equipment		**2**	2	**2**	2
Net cash used in investing activities		**(6,536)**	(573)	**(6,513)**	(573)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		**(10)**	(2)	**(10)**	(2)
Proceeds from borrowings		**5,625**	45	**5,625**	45
Dividends paid by parent entity		**(52)**	(64)	**(52)**	(64)
Net cash provided by (used in) financing activities		**5,563**	(21)	**5,563**	(21)
Net increase (decrease) in cash held		**185**	(159)	**201**	(188)
Cash at beginning of financial year		**(51)**	108	**(80)**	108
CASH AT END OF FINANCIAL YEAR	10	**134**	(51)	**121**	(80)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT 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.

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 of Victorian Livestock Exchange Limited and its controlled entity, and Victorian Livestock Exchange Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity 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

Victorian Livestock Exchange Ltd and its controlled entity, and Victorian Livestock Exchange Ltd as an individual parent entity have 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 parent entity and consolidated entity 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 consolidated accounts are the first financial statements of Victorian Livestock Exchange Limited to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented.

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 for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Prinicpals of Consolidation

A controlled entity is any entity in respect of which Victorian Livestock Exchange Limited has the power to control the financial and operating policies as to obtain benefits from its activities. The only entity controlled by Victorian Livestock Exchange Limited at any time during the year ended 30 June 2006 is VLE Advisory Services Pty Ltd. The controlled entity has a June financial year-end.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Prinicpals of Consolidation (cont'd)

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included or excluded from the date the control was obtained or until the date control ceased.

(b) 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 tax legislation and the anticipation that the economic entity will derive 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 sale

Land held for development and sale 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 and impairment losses.

Land

Freehold land is shown at its fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, with annual appraisals being made by the directors.

Buildings, Plant and Equipment

Buildings, plant and equipment are measured on the cost basis.

The carrying value of buildings, 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 that will be received from the assets employment and subsequent disposal. The expected net cash flows have 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 proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group 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.

Increases in the carrying amount arising on revaluation of land are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement.

Depreciation

The depreciable amount of all fixed assets including building, but excluding freehold land, is 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%

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to ownership of the asset, but not the legal ownership, is transferred to entities within the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(f) 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 set out below.

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. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Financial Instruments (cont'd)

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group 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. Avaliable-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.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess 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 has arisen. Impairment losses are recognised in the income statement.

(g) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible 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.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Interests in Joint Ventures

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.

(i) Intangibles

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business exceeds the fair value attributed to its net assets at date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

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 and is recognised at cost of acquisition. Intellectual property has an indefinite life and is tested annually for impairment and carried at cost less accumulated impairment losses.

(j) 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 that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. 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.

(k) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks or financial institutions, net of outstanding bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(m) 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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(o) 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.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(p) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight line basis.

(q) Comparative figures

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

(r) Rounding of amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest $1,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

ECONOMIC ENTITY

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		108	-	108
Trade and other receivables		139	-	139
Inventories		97	-	97
Other current assets		27	-	27
TOTAL CURRENT ASSETS		371	-	371
NON-CURRENT ASSETS				
Property, plant and equipment		5,926	-	5,926
Deferred tax assets		11	-	11
Intangible assets	2a	140	40	180
TOTAL NON-CURRENT ASSETS		6,077	40	6,117
TOTAL ASSETS		6,448	40	6,488
CURRENT LIABILITIES				
Trade and other payables	2f	86	16	102
Current tax liabilities		141	-	141
Short-term provisions	2f	16	(16)	-
TOTAL CURRENT LIABILITIES		243	-	243
NON-CURRENT LIABILITIES				
Long-term borrowings		2,150	-	2,150
Deferred tax liabilities		276	-	276
Long-term provisions		4	-	4
TOTAL NON-CURRENT LIABILITIES		2,430	-	2,430
TOTAL LIABILITIES		2,673	-	2,673
NET ASSETS		3,775	40	3,815
EQUITY				
Issued capital		3,148	-	3,148
Retained earnings	2d	627	40	667
TOTAL EQUITY		3,775	40	3,815

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

Reconciliation of Equity at 30 June 2005

	Note	Previous GAAP at 30 Jun 2005 $000	Effect of Transition to AIFRS $000	AIFRS at 30 Jun 2005 $000
CURRENT ASSETS				
Cash and cash equivalents		30	-	30
Trade and other receivables		2,278	-	2,278
Inventories		62	-	62
Other current assets		31	-	31
TOTAL CURRENT ASSETS		2,401	-	2,401
NON-CURRENT ASSETS				
Property, plant and equipment		12,988	-	12,988
Deferred tax assets		15	-	15
Intangible assets	2a	140	50	190
TOTAL NON-CURRENT ASSETS		13,143	50	13,193
TOTAL ASSETS		15,544	50	15,594
CURRENT LIABILITIES				
Trade and other payables	2f	2,786	23	2,809
Short term borrowings		91	-	91
Current tax liabilities		527	-	527
Short-term provisions	2f	23	(23)	-
TOTAL CURRENT LIABILITIES		3,427	-	3,427
NON-CURRENT LIABILITIES				
Long-term borrowings		2,184	-	2,184
Deferred tax liabilities	2b	283	1,412	1,695
Long-term provisions		9	-	9
TOTAL NON-CURRENT LIABILITIES		2,476	1,412	3,888
TOTAL LIABILITIES		5,903	1,412	7,315
NET ASSETS		9,641	(1,362)	8,279
EQUITY				
Issued capital		3,247	-	3,247
Reserves	2c	4,707	(1,412)	3,295
Retained earnings	2d	1,687	50	1,737
TOTAL EQUITY		9,641	(1,362)	8,279

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

PARENT ENTITY

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		108	-	108
Trade and other receivables		139	-	139
Inventories		97	-	97
Other current assets		27	-	27
TOTAL CURRENT ASSETS		371	-	371
NON-CURRENT ASSETS				
Property, plant and equipment		5,926	-	5,926
Deferred tax assets		11	-	11
Intangible assets	2a	140	40	180
TOTAL NON-CURRENT ASSETS		6,077	40	6,117
TOTAL ASSETS		6,448	40	6,488
CURRENT LIABILITIES				
Trade and other payables	2f	86	16	102
Current tax liabilities		141	-	141
Short-term provisions	2f	16	(16)	-
TOTAL CURRENT LIABILITIES		243	-	243
NON-CURRENT LIABILITIES				
Long-term borrowings		2,150	-	2,150
Deferred tax liabilities		276	-	276
Long-term provisions		4	-	4
TOTAL NON-CURRENT LIABILITIES		2,430	-	2,430
TOTAL LIABILITIES		2,673	-	2,673
NET ASSETS		3,775	40	3,815
EQUITY				
Issued capital		3,148	-	3,148
Retained earnings	2d	627	40	667
TOTAL EQUITY		3,775	40	3,815

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

Reconciliation of Equity at 30 June 2005

	Note	Previous GAAP at 30 Jun 2005 $000	Effect of Transition to AIFRS $000	AIFRS at 30 Jun 2005 $000
CURRENT ASSETS				
Cash and cash equivalents		1	-	1
Trade and other receivables		2,261	-	2,261
Inventories		58	-	58
Other current assets		31	-	31
TOTAL CURRENT ASSETS		2,351	-	2,351
NON-CURRENT ASSETS				
Property, plant and equipment		12,988	-	12,988
Deferred tax assets		15	-	15
Intangible assets	2a	140	50	190
TOTAL NON-CURRENT ASSETS		13,143	50	13,193
TOTAL ASSETS		15,494	50	15,544
CURRENT LIABILITIES				
Trade and other payables	2f	2,783	23	2,806
Short term borrowings		91	-	91
Current tax liabilities		513	-	513
Short-term provisions	2f	23	(23)	-
TOTAL CURRENT LIABILITIES		3,410	-	3,410
NON-CURRENT LIABILITIES				
Long-term borrowings		2,184	-	2,184
Deferred tax liabilities	2b	283	1,412	1,695
Long-term provisions		9	-	9
TOTAL NON-CURRENT LIABILITIES		2,476	1,412	3,888
TOTAL LIABILITIES		5,886	1,412	7,298
NET ASSETS		9,608	(1,362)	8,246
EQUITY				
Issued capital		3,247	-	3,247
Reserves	2c	4,707	(1,412)	3,295
Retained earnings	2d	1,654	50	1,704
TOTAL EQUITY		9,608	(1,362)	8,246

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

ECONOMIC ENTITY

Reconciliation of Profit or Loss for 2005

	Note	Previous GAAP 2005 $000	Effect of Transition to AIFRS $000	AIFRS 2005 $000
Revenue	2e	4,099	(2)	4,097
Employee benefits expense		(588)	-	(588)
Depreciation and amortisation expense	2a	(331)	9	(322)
Finance costs		(153)	-	(153)
Other expenses	2e	(1,273)	2	(1,271)
Profit before income tax		1,754	9	1,763
Income tax expense		(530)	-	(530)
Profit for the period		**1,224**	**9**	**1,233**

PARENT ENTITY

Reconciliation of Profit or Loss for 2005

	Note	Previous GAAP 2005 $000	Effect of Transition to AIFRS $000	AIFRS 2005 $000
Revenue	2e	4,025	(2)	4,023
Employee benefits expense		(588)	-	(588)
Depreciation and amortisation expense	2a	(331)	9	(322)
Finance costs		(153)	-	(153)
Other expenses	2e	(1,245)	2	(1,243)
Profit before income tax		1,708	9	1,717
Income tax expense		(517)	-	(517)
Profit for the period		**1,191**	**9**	**1,200**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

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

(a) All Intellectual Property amortised under previous GAAP has been reversed. Amortisation charges amounting to $40,000 have been reversed to retained earnings at 1 July 2004. Intellectual Property amounting to $9,000 previously amortised in the 2005 full financial year has been reversed in the income statement for the year ended 30 June 2005.

	30 June 2005 $000	1 July 2004 $000
(b) Deferred tax liability adjustments comprise:		
Economic Entity		
Deferred tax on revaluation of non-current assets	1,412	-
Parent Entity		
Deferred tax on revaluation of non-current assets	1,412	-
(c) Adjustment to reserves comprise:		
Economic Entity		
Deferred tax on revaluation of non-current assets	(1,412)	-
Parent Entity		
Deferred tax on revaluation of non-current assets	(1,412)	-
(d) Adjustments to retained earnings comprise:		
Economic Entity		
Reversal of intellectual property previously amortised	50	40
Parent Entity		
Reversal of intellectual property previously amortised	50	40

(e) Reclassifications have been made to the income statement for the year ended 30 June 2005 as follows. Under Australian equivalents to IFRS, the sale of non-current assets must be reflected as a gain or loss on sale and not separately split between proceeds and costs of disposal. This reclassification has no effect on net profit for the 2005 financial year.

(f) Under Australian equivalents to IFRS, amounts accrued for employee annual leave are classified as trade and other payables as opposed to provisions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
NOTE 3: REVENUE					
Operating activities					
Revenue from sale of land and goods		**561**	2,305	**505**	2,305
Revenue from rendering of services		**2,064**	1,734	**2,025**	1,660
Government grants received		**30**	-	**30**	-
Rental revenue		**66**	55	**66**	55
Interest received – other persons		**30**	3	**30**	3
Over-accrual of land development costs in prior year		**94**	-	**94**	-
Total revenue		**2,845**	4,097	**2,750**	4,023
Non-operating activities					
Gains on disposal of property, plant and equipment		**2**	-	**2**	-
Other income		**2**	-	**2**	-

NOTE 4: PROFIT FOR THE YEAR

	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
(a) Expenses				
Cost of sales	**205**	642	**160**	642
Depreciation of non-current assets				
- Plant and equipment	**117**	77	**115**	77
- Buildings	**268**	245	**268**	245
Total depreciation and amortisation expense	**385**	322	**383**	322
Finance Costs:				
Interest Expense				
- Bills of exchange	**343**	150	**343**	150
- Overdrafts	**34**	1	**34**	1
- Other	**9**	1	**9**	1
	386	152	**386**	152
Other finance costs	**24**	1	**24**	1
Total finance costs expense	**410**	153	**410**	153
Net loss on disposal of non-current assets:				
- property, plant and equipment	-	1	-	1
Rental expense on operating leases				
- minimum lease payments	36	-	36	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
NOTE 4: PROFIT FOR THE YEAR (cont'd)					
(b) Significant Revenue					
The following significant revenue item is relevant in explaining the financial performance:					
Land development costs over-accrued at 30 June 2005		**94**	-	**94**	-

NOTE 5: INCOME TAX EXPENSE

	Note	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
The components of tax expense comprise:					
Current tax		**(34)**	527	**(41)**	514
Deferred tax	20	**(10)**	3	**(10)**	3
		(44)	530	**(51)**	517
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%)		**(45)**	528	**(52)**	515
Add: Tax effect of non-allowable items		**1**	2	**1**	2
Income tax expense attributable to entity		**(44)**	530	**(51)**	517
The applicable weighted average effective tax rates are as follows:		**30%**	30%	**30%**	30%

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Key Management Person	Position
Mr C. Sleigh	Chairman – Non-executive
Mr G. Osborne	Managing Director – Executive
Mr M. Quinert	Director – Non-executive, Secretary
Mr M. Everitt	Director – Non-executive (retired 30 April 2006)
Dr G. Walsh	Director – Non-executive
Mr B. Rodwell	Director – Non-executive (appointed 1 May 2006)
Mrs J. Khalid	Systems Manager

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION (cont'd)

(b) Compensation Practices

The board's policy for determining the nature and amount of compensation of key management personnel for the group is as follows:

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

All key management personnel, except Mr Quinert, receive a base salary and superannuation benefits. All key management personnel, except Mr Quinert, 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. Shareholder approval was obtained for the 2005 entitlement, but at balance date the amount had not yet been paid.

(c) Key Management Personnel Compensation

	Short-term benefits			
Key Management Person	**Salary**	**Super-annuation Contrib.**	**Other***	**TOTAL**
	$000	**$000**	**$000**	**$000**
Year ended 30 June 2006:				
Mr C. Sleigh	10	1	-	11
Mr G. Osborne	95	9	-	104
Mr M. Quinert	-	-	10	10
Mr M. Everitt	8	1	-	9
Dr G. Walsh	15	1	-	16
Mr B. Rodwell	2	-	-	2
Mrs J. Khalid	41	4	-	45
	171	**16**	**10**	**197**
Year ended 30 June 2005:				
Mr C. Sleigh	10	1	-	11
Mr G. Osborne	95	9	-	104
Mr M. Quinert	-	-	10	10
Mr M. Everitt	10	1	-	11
Dr G. Walsh	15	1	-	16
Mrs J. Khalid	38	3	-	41
	168	**15**	**10**	**193**

* Other remuneration is fees for management services paid to Bardora Pty Ltd, a director-related entity of Mr M. Quinert – refer Note 29.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION (cont'd)

(d) Compensation Options

No options were:

- granted as compensation to any key management personnel during the financial year;
- exercised during the year that were granted as compensation to any key management personnel in prior periods; or
- held by key management personnel at any time during the current or previous financial year

(e) Shareholdings

Number of Shares held by Key Management Personnel and related parties:

	Balance 01.07.05	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.06.06
Christopher Sleigh					
- as an individual	52,189	-	-	13,404	65,593
- Gay Hartley	4,349	-	-	162	4,511
- Maintangoon Pty Ltd	423,280	-	-	15,678	438,958
- Harjan Pty Ltd	65,237	-	-	22,417	87,654
- Vialima Pty Ltd	54,363	-	-	2,014	56,377
- HCF Australia Superannuation Fund	61,643	-	-	22,284	83,927
	661,061	-	-	75,959	737,020
Graham Osborne					
- Pedrobob Pty Ltd	114,163	-	-	4,229	118,392
- jointly with Rosemary Osborne	195,709	-	-	7,249	202,958
- Osborne Agcon Pty Ltd	6,240	-	-	231	6,471
- James Osborne	4,160	-	-	155	4,315
	320,272	-	-	11,864	332,136
Michael Quinert					
- as an individual	47,840	-	-	1,772	49,612
- Gold Sea Pty Ltd	308,121	-	-	11,412	319,533
- Quinert Family Trust	51,574	-	-	1,911	53,485
- Oakley Thompson & Co Pty Ltd	20,658	-	-	766	21,424
- Quatro Limited	101,471	-	-	(101,471)	-
- Kenneth Norwood Quinert	64,000	-	-	-	64,000
- Kastin Pty Ltd	20,800	-	-	25,771	46,571
	614,464	-	-	(59,839)	554,625
Michael Everitt					
- Everitt & Seeley Superannuation Fund	64,763	-	-	2,400	67,163
Gregory Walsh					
- as an individual	31,254	-	-	26,158	57,412
- jointly with Teresa Walsh	10,637	-	-	394	11,031
	41,891	-	-	26,552	68,443
Julie Khalid					
- as an individual	108,727	-	-	4,027	112,754
TOTALS	1,811,178	-	-	60,963	1,872,141

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006	2005	**2006**	2005
		$000	$000	**$000**	$000
NOTE 7: AUDITORS' REMUNERATION					
Remuneration of the auditor of the parent entity for:					
- auditing or reviewing the financial report		**18**	13	**18**	13
- other services		**-**	2	**-**	2
NOTE 8: DIVIDENDS					
Dividends paid					
2005 proposed final fully franked ordinary dividend of 5 cents per share paid in 2006		**168**	-	**168**	-
2004 proposed final fully franked ordinary dividend of 5 cents per share paid in 2005		**-**	163		163
		168	163	**168**	163
(a) Proposed dividends					
Proposed final fully franked ordinary dividend of 5.5 (2005: 5) cents per share franked at the tax rate of 30% (2005: 30%)		**189**	168	**189**	168
(b) Franking account					
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax		**686**	598	**652**	584
Subsequent to year end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:		**(81)**	(72)	**(81)**	(72)
		605	526	**571**	512

NOTE 9: EARNINGS PER SHARE

The following reflects the income and share data used in the calculation of basic earnings per share:

	2006	2005
Net profit used to calculate EPS	**(107)**	1,233
	No. '000	No. '000
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**3,380**	3,299

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
NOTE 10: CASH AND CASH EQUIVALENTS					
Cash at bank and in hand		**288**	30	**275**	1
Reconciliation of cash					
Cash at the end of the financial year as shown in the cash flow statement is reconciled to the items in the balance sheet as follows:					
Cash and cash equivalents		**288**	30	**275**	1
Bank overdrafts	19	**(154)**	(81)	**(154)**	(81)
		134	(51)	**121**	(80)
NOTE 11: TRADE AND OTHER RECEIVABLES					
Trade receivables		**220**	141	**217**	124
Amount due from sale of industrial land		**-**	2,119	**-**	2,119
Other receivables		**141**	18	**141**	18
		361	2,278	**358**	2,261
(a) Related party receivables					
Amounts receivable from:					
- wholly owned subsidiary		**-**	-	**-**	12
- key management personnel related entity		**256**	15	**256**	15

(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 29

	Note	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
NOTE 12: INVENTORIES					
Finished goods at cost		**-**	4	**-**	-
Land held for resale at cost					
Cost of acquisition		**40**	40	**40**	40
Development expenses capitalised		**843**	18	**843**	18
		883	62	**883**	58

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
NOTE 13: OTHER CURRENT ASSETS					
Prepayments		**77**	31	**76**	31
NOTE 14: OTHER FINANCIAL ASSETS					
Available-for-sale Financial Assets:					
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**	18	**18**	18
Less: Impairment Provision		**(18)**	(18)	**(18)**	(18)
		-	-	**-**	-
Total available-for sale financial assets		**-**	-	**-**	-

NOTE 15: CONTROLLED ENTITY

	Country of Incorporation	Percentage Owned 2006 %	Percentage Owned 2005 %
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 2006

NOTE 16: PROPERTY, PLANT AND EQUIPMENT

	Note	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
LAND AND BUILDINGS					
Freehold land					
At directors' valuation 2005		**4,827**	4,827	**4,827**	4,827
At cost		**1,978**	1,300	**1,978**	1,300
Total land		**6,805**	6,127	**6,805**	6,127
Buildings					
At cost		**10,275**	7,988	**10,275**	7,988
Accumulated depreciation		**(1,834)**	(1,567)	**(1,834)**	(1,567)
Total buildings		**8,441**	6,421	**8,441**	6,421
Total land and buildings		**15,246**	12,548	**15,246**	12,548
PLANT AND EQUIPMENT					
Plant and equipment					
At cost		**1,265**	782	**1,235**	782
Accumulated depreciation		**(460)**	(342)	**(458)**	(342)
Total plant and equipment		**805**	440	**777**	440
Total property, plant and equipment		**16,051**	12,988	**16,023**	12,988

(a) Valuation of land

The group's land was revalued at 30 June 2005 by directors. 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 revaluation surplus net of applicable deferred income taxes was credited to an asset revaluation reserve in shareholders' equity.

(b) Carrying amount of Property, Plant and Equipment in the Course of Construction

	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
Buildings	**2,322**	63	**2,322**	63
Plant and equipment	**1**	-	**1**	-
Total	**2,323**	63	**2,323**	63

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000

NOTE 16: PROPERTY, PLANT AND EQUIPMENT (cont'd)

(c) Movements in carrying amounts

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

	Note	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
Freehold Land					
Carrying amount at beginning of year		6,127		6,127	
Additions		678		678	
Carrying amount at end of year		6,805		6,805	
Buildings					
Carrying amount at beginning of year		6,421		6,421	
Additions		2,288		2,288	
Depreciation expense		(268)		(268)	
Carrying amount at end of year		8,441		8,441	
Plant and equipment					
Carrying amount at beginning of year		440		440	
Additions		482		452	
Depreciation expense		(117)		(115)	
Carrying amount at end of year		805		777	

NOTE 17: INTANGIBLE ASSETS

	Note	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
Goodwill					
Cost		1,256	-	1,256	-
Accumulated impaired losses		-	-	-	-
Net carrying value		1,256	-	1,256	-
Intellectual property					
Cost		180	180	180	180
Accumulated amortisation and impairment		-	-	-	-
Net carrying value		180	180	180	180
Option to acquire industrial land					
Cost		-	10	-	10
Accumulated amortisation and impairment		-	-	-	-
Net carrying value		-	10	-	10
Total intangibles		1,436	190	1,436	190

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
NOTE 17: INTANGIBLE ASSETS (cont'd)					
Movements in carrying amounts					
Goodwill					
Balance at beginning of year		-	-	-	-
Additions		1,256	-	1,256	-
Balance at end of year		1,256	-	1,256	-
Option to acquire industrial land					
Balance at beginning of year		10	-	10	-
Additions		-	10	-	10
Transfer to cost of sales		(10)	-	(10)	-
Balance at end of year		-	10	-	10

Impairment Disclosures

Goodwill is allocated to cash-generating units which are based on the group's reporting segments.

	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
Livestock Operations – Korumburra	1,058	-	1,058	-
Livestock Operations – Sale	198	-	198	-
	1,256	-	1,256	-

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 10-year period. The cash flows are discounted using the yield of 10-year government bonds at the beginning of the budget period, plus a risk premium to reflect the uncertainty associated with the amount of the cash flows.

The following assumptions were used in the value-in-use calculations:

	Growth Rate	Discount Rate
Livestock Operations – Korumburra	0%	12%
Livestock Operations – Sale	0%	12%

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006	2005	**2006**	2005
		$000	$000	**$000**	$000

NOTE 18: TRADE AND OTHER PAYABLES

	Note	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
Unsecured liabilities					
Trade payables		**210**	166	**198**	166
Sundry payables and accrued expenses		**248**	2,136	**266**	2,136
Withholding tax payable		**18**	10	**18**	10
Goods and services tax payable		**111**	9	**112**	6
Construction costs outstanding		**852**	465	**852**	465
Employee entitlements		**36**	23	**36**	23
		1,475	2,809	**1,482**	2,806

(a) Related party payables

	Note	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
Amount payable to:					
- wholly-owned subsidiary		**-**	-	**18**	-
- key management personnel related entities		**4**	1	**2**	1

(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 29

NOTE 19: BORROWINGS

	Note	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
CURRENT					
Secured liabilities					
Bank overdrafts	**19c**	**154**	81	**154**	81
Bank loan	**19c**	**11**	10	**11**	10
		165	91	**165**	91
NON-CURRENT					
Secured liabilities					
Bank loans	**19c**	**523**	34	**523**	34
Bills of exchange	**19d**	**7,275**	2,150	**7,275**	2,150
		7,798	2,184	**7,798**	2,184

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
NOTE 19: BORROWINGS (cont'd)					
(a) Total current and non-current secured liabilities:					
Bank overdraft		**154**	81	**154**	81
Bank loans		**534**	44	**534**	44
Bills of exchange		**7,275**	2,150	**7,275**	2,150
		7,963	2,275	**7,963**	2,275
(b) Carrying amounts of non-current assets pledged as security:					
First Mortgage					
Freehold land and buildings		**15,246**	10,145	**15,246**	10,145
Plant and Equipment		**31**	39	**31**	39
Floating charge over assets		**774**	400	**746**	400
Total non-current assets pledged as security		**16,051**	10,584	**16,023**	10,584

(c) Details of security
(i) the bank overdrafts, commercial bills and a $500,000 bank loan 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 remaining bank loan is secured by registered first mortgage over a motor vehicle owned by the parent entity.

(d) Bills payable
Bills payable have been drawn as a source of long term finance. They roll over every 84 to 92 days (2005: 45 to 90 days) and have effective interest rates of between 5.95% and 6.62% (2005: 5.99% and 6.20%)

NOTE 20: TAX

(a) Liabilities

	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
CURRENT				
Income tax	-	527	-	513

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
NOTE 20: TAX (cont'd)					
NON-CURRENT					
Deferred tax liability comprises:					
Tax allowances relating to property, plant and equipment		**287**	283	**287**	283
Revaluation adjustments taken directly to equity		**1,412**	1,412	**1,412**	1,412
Total deferred tax liability		**1,699**	1,695	**1,699**	1,695
(b) Assets					
CURRENT					
Income Tax		**153**	-	**157**	-
NON-CURRENT					
Deferred tax assets comprise:					
Provisions		**17**	10	**17**	10
Other		**12**	5	**12**	5
Total deferred tax asset		**29**	15	**29**	15
(c) Reconciliations					
(i) Gross Movements					
The overall movement in the deferred tax account is as follows:					
Opening balance		**(1,680)**	(265)	**(1,680)**	(265)
(Charge)/credit to income statement	5	**10**	(3)	**10**	(3)
Charge to equity		**-**	(1,412)	**-**	(1,412)
Closing balance		**(1,670)**	(1,680)	**(1,670)**	(1,680)
(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		**283**	276	**283**	276
Charged to the income statement		**4**	7	**4**	7
Closing balance		**287**	283	**287**	283
Tangible assets revaluation adjustments taken directly to equity:					
Opening balance		**1,412**	-	**1,412**	-
Net revaluations during the current period		**-**	1,412	**-**	1,412
Closing balance		**1,412**	1,412	**1,412**	1,412

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

		Economic Entity		Parent Entity	
	Note	**2006**	2005	**2006**	2005
		$000	$000	**$000**	$000

NOTE 20: TAX (cont'd)

(iii) Deferred tax asset

The movement in deferred tax assets for each temporary difference during the year is as follows:

	Economic Entity 2006	Economic Entity 2005	Parent Entity 2006	Parent Entity 2005
Provisions				
Opening balance	**10**	6	**10**	6
Charged to the income statement	7	4	7	4
Closing balance	**17**	10	**17**	10
Other				
Opening balance	**5**	5	**5**	5
Charged to the income statement	7	-	7	-
Closing balance	**12**	5	**12**	5

NOTE 21: PROVISIONS

	Economic Entity 2006	Economic Entity 2005	Parent Entity 2006	Parent Entity 2005
Provision for long-term employee benefits				
Opening balance	**9**		**9**	
Additional provisions	**12**		**12**	
Closing balance	**21**		**21**	
Analysis of total provisions				
Current	**17**	4	**17**	4
Non-current	**4**	5	**4**	5
	21	9	**21**	9

Provision for 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 of this report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006	2005	**2006**	2005
		$000	$000	**$000**	$000

NOTE 22: ISSUED CAPITAL

(a) Issued and paid up capital

	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
3,437,000 (2005: 3,351,000) fully paid ordinary shares	**3,363**	3,247	**3,363**	3,247

(b) Movements in shares on issue

	No of shares '000	No of shares '000	**No of shares '000**	No of shares '000
At the beginning of the reporting period	**3,351**	3,272	**3,351**	3,272
Shares issued during the year				
- 14 February 2005	**-**	79	**-**	79
- 28 February 2006	**86**	-	**86**	-
At reporting date	**3,437**	3,351	**3,437**	3,351

(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.

NOTE 23: RESERVES

Asset revaluation reserve

The asset revaluation reserve records revaluations of non-current assets. Under certain circumstances dividends can be declared from this reserve.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006	2005	**2006**	2005
		$000	$000	**$000**	$000

NOTE 24: CAPITAL AND LEASING COMMITMENTS

Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

	Economic Entity 2006	Economic Entity 2005	Parent Entity 2006	Parent Entity 2005
Payable – minimum lease payments				
- not later than 12 months	**101**	-	**101**	-
- between 12 months and 5 years	**211**	-	**211**	-
	312	-	**312**	-

The Drouin administration office lease is a non-cancellable lease with a five year term, with rent payable monthly in advance. An option exists to renew the lease at the end of the five-year term for an additional term of five years.

The Korumburra saleyard lease is a non-cancellable lease with a three year term, with rent payable monthly in advance. No option exists to renew the lease at the end of the three-year term.

The Sale saleyard lease is a non-cancellable lease with a twenty year term, with rent payable monthly in arrears. There are no minimum lease payments to be made under this lease. Contingent rental provisions within the lease agreement require the rent to be calculated as 4% of total revenue derived by the lessee from livestock operations within or through the derived premises. An option exists to renew the lease at the end of the twenty-year term for an additional term of ten years.

NOTE 25: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Liabilities

	Economic Entity 2006	Economic Entity 2005	Parent Entity 2006	Parent Entity 2005
Bank guarantee in favour of Wellington Shire Council, as per lease of Sale premises. Indexed to CPI for duration of lease	**60**	-	**60**	-

The directors are not aware of any contingent assets in existence at balance date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 26: SEGMENT REPORTING

	Livestock Operations		Land Subdivision		Consolidation	
	2006	2005	**2006**	2005	**2006**	2005
	$000	$000	**$000**	$000	**$000**	$000
Revenue						
External sales	**2,226**	1,810	**619**	2,287	**2,845**	4,097
Result						
Segment result	**112**	317	**147**	1,599	**259**	1,916
Finance costs					**(410)**	(153)
Profit (Loss) before income tax					**(151)**	1,763
Income tax benefit (expense)					**44**	(530)
Profit (Loss) after income tax					**(107)**	1,233
Assets						
Segment assets	**18,088**	13,391	**1,008**	2,188	**19,096**	15,579
Unallocated assets					**182**	15
Total assets					**19,278**	15,594
Liabilities						
Segment liabilities	**8,371**	4,573	**1,088**	520	**9,459**	5,093
Unallocated liabilities					**1,699**	2,222
Total liabilities					**11,158**	7,315
Other						
Acquisition of non-current segment assets	**4,704**	2,730	-	-	**4,704**	2,730
Depreciation and amortization of segment assets	**385**	322	-	-	**385**	322

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Intersegment Transfers

There were no intersegment sales or transfers during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000

NOTE 26: SEGMENT REPORTING (cont'd)

Business Segments

The economic entity'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.

Geographical Segments

Geographically, the economic entity only operates in one segment, being Australia.

NOTE 27: CASH FLOW INFORMATION

(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax

	Note	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
Profit (Loss) after income tax		**(107)**	1,233	**(122)**	1,200
Non-cash flows in profit					
Depreciation		**385**	322	**383**	322
Net (gain) loss on disposal of property, plant and equipment		**(2)**	1	**(2)**	1
Changes in assets and liabilities					
(Increase)/decrease in trade and term receivables		**1,917**	(2,139)	**1903**	(2,122)
(Increase)/decrease in inventories		**(821)**	35	**(825)**	39
(Increase)/decrease in deferred tax assets		**(14)**	(3)	**(14)**	(3)
(Increase)/decrease in prepayments		**(46)**	(4)	**(45)**	(4)
Increase/(decrease) in trade payables and accruals		**497**	585	**514**	582
Increase/(decrease) in income taxes payable		**(680)**	386	**(670)**	372
Increase/(decrease) in deferred taxes payable		**4**	7	**4**	7
Increase/(decrease) in provisions		**25**	12	**25**	12
Cash flow from operations		**1,158**	435	**1,151**	406

(b) Credit Standby Arrangements with Banks

	Note	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
Credit facility		**7,525**	2,250	**7,525**	2,250
Amount utilised		**(7,429)**	(2,231)	**(7,429)**	(2,231)
		96	19	**96**	19

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000

NOTE 27: CASH FLOW INFORMATION (cont'd)

The major facilities are summarised as follows:

Bank overdrafts
A $250,000 bank overdraft facility is arranged with Westpac Banking Corporation with the general terms and conditions being set and agreed to annually. Interest rates are variable and subject to adjustment.

Commercial bill facility
$7,275,000 three year variable interest rate facility provided by the Westpac Banking Corporation

(c) Loan Facilities

	Note	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
Loan facilities		**3,034**	44	**3,034**	44
Amount utilised		**(534)**	(44)	**(534)**	(44)
		2,500	-	**2,500**	-

The major facility is summarised as follows:

Bank Bill Business Loan
$3,000,000 Bank bill business loan facility. The facility expires in 2009. Termination of the agreement can be effected by notice in writing from either party. Interest rates are variable subject to adjustment after a period of 30 days. The current rate is 6.97%.

NOTE 28: EVENTS AFTER THE BALANCE SHEET DATE

(a) On 3 July 2006 the transaction for the purchase of rights to operate the livestock saleyards at Sale settled.

(b) On 23 August 2006, the Australian Consumer and Competition Commission (ACCC) announced "it would not oppose recent saleyard acquisitions by Victorian Livestock Exchange Ltd (VLE)..." thus clearing the way for the VLE to complete its expansion strategy in Gippsland.

(c) The financial report was authorised for issue on 12 September 2006 by the board of directors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity 2006 $000	Economic Entity 2005 $000	Parent Entity 2006 $000	Parent Entity 2005 $000
NOTE 29: RELATED PARTY TRANSACTIONS					
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.					
Transactions with related parties:					
Purchases:					
Purchase of legal services from Oakley Thompson & Co, of which Michael Quinert is a partner		**31**	14	**31**	**14**
Purchase of management services from Bardora Pty Ltd, of which Michael Quinert is a director		**10**	10	**10**	**10**
Payment of shareholder rebates to Hurstdale Pastoral Company Pty Ltd, of which Graham Osborne is a director		**-**	1	**-**	**1**
Purchase of management services from Hurstdale Pastoral Company Pty Ltd, of which Graham Osborne is a director		**2**	6	**2**	6
Payment of shareholder rebates to Everitt & Seeley Superannuation Fund, of which Michael Everitt is a trustee		**1**	6	**1**	6
Sales:					
Sale of services to Everitt & Seeley Pty Ltd, of which Michael Everitt and Brian Rodwell are directors		**173**	157	**172**	157
Sale of industrial land to the Jessam Superannuation Fund of which Julie Khalid is a trustee		**238**	-	**238**	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

NOTE 30: FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from the subsidiary and bills. The main purpose of financial instruments is to raise finance for group operations. The main risks the group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

(i) Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2006 approximately 90% of group debt is fixed. It is the policy of the group to keep between 80% and 100% of debt on fixed interest rates. For further details on interest rate risk refer to Note 30(b)(i) & (ii)

(ii) Liquidity risk

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

(iii) Credit risk

The 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, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The economic entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

(b) Financial Instruments

(i) 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:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 30: FINANCIAL INSTRUMENTS (cont'd)

(i) Interest rate risk (cont'd)

	Floating interest rate	Fixed interest rate maturing in 1 year or less	Fixed interest rate maturing 1 to 5 years	Non-interest bearing	Total	Weighted average effective interest rate
	$000	$000	$000	$000	$000	%
AT 30 JUNE 2006:						
Financial assets						
Cash and cash equivalents	287	-	-	1	288	0.1
Trade and other receivables	-	-	-	361	361	N/A
Total financial assets	287	-	-	362	649	
Financial liabilities						
Trade and other payables	-	-	-	1,475	1,475	N/A
Bank overdrafts	154	-	-	-	154	9.7
Bills of exchange	-	7,275	-	-	7,275	6.3
Bank loans	500	11	23	-	534	7.0
Total financial liabilities	654	7,286	23	1,475	9,438	
AT 30 JUNE 2005:						
Financial assets						
Cash and cash equivalents	29	-	-	1	30	0.1
Trade and other receivables	-	-	-	2,278	2,278	N/A
Total financial assets	29	-	-	2,279	2,308	
Financial liabilities						
Trade and other payables	-	-		2,809	2,809	N/A
Bank overdrafts	81	-	-	-	81	9.5
Bills of exchange	-	2,150	-	-	2,150	6.2
Bank loan	-	10	34	-	44	7.2
Total financial liabilities	81	2,160	34	2,809	5,084	

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 30: FINANCIAL INSTRUMENTS (cont'd)

(ii) 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.

NOTE 31: CHANGE IN ACCOUNTING POLICY

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and economic entity but are not yet effective. They have not been adopted in the preparation of the financial statements at reporting date:

AASB Amendment	AASB Standard Affected	Nature of Change in Accounting Policy and Impact	Application Date of the Standard	Application Date for the Group
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
2005-9	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
	AASB 132: Financial Instruments: Disclosure and Presentation	Victorian Livestock Exchange Limited 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 31: CHANGE IN ACCOUNTING POLICY (cont'd)

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 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
New Standard	AASB 7: Financial Instruments: Disclosure	No change, no impact	1 January 2007	1 July 2007

All other pending Standards issued between the previous financial report and the current reporting dates have no application to either the parent or economic entity.

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
2005-6	AASB 3: Business Combinations
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
2005-10	AASB 4: Insurance Contracts AASB 1023: General Insurance Contracts AASB 1038: Life Insurance Contracts
2006-1	AASB 121: The Effects of Changes in Foreign Exchange Rates
New Standard	AASB 119: Employee Benefits: December 2004

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 32: ECONOMIC DEPENDENCY

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

NOTE 33: COMPANY DETAILS

The registered office of the company is:

Victorian Livestock Exchange Limited
C/- Oakley & Thompson & Co
Level 19, 500 Collins Street
Melbourne VIC 3000

The principal places of business are:

Victorian Livestock Exchange Limited
Administration
Suite 8, 22-26 Princes Way
Drouin VIC 3818

Victorian Livestock Exchange Limited
Pakenham Saleyard
Exchange Drive
Pakenham VIC 3810

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

Victorian Livestock Exchange Limited
Traralgon Saleyard
Rocla Road
Traralgon VIC 3844

Victorian Livestock Exchange Limited
Sale Saleyard
Saleyards Road
Sale VIC 3850

Victorian Livestock Exchange Limited
Korumburra Saleyard
South Gippsland Highway
Korumburra VIC 3950

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 8 to 50, 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 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 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

C. Sleigh
Director

Dated this 30th day of September 2006

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 Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, accompanying notes to the financial statements and the directors' declaration for Victorian Livestock Exchange Limited, for the year ended 30 June, 2006, as set out on pages 9 to 51. The consolidated entity comprises both the company and the entities in controlled during that year.

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 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 company'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
L.M. Marris CPA
B.J. O'Connor CA
K.R. Grant CPA
S.F. Delaney CA

ASSOCIATES
S.L. D'Cruz FCPA
K.A. McLeod CPA
R.L. Watt CPA
P.L. Ross CA
D.L. Nankervis CPA
P.E. Lamb CPA
S. Dickie CPA
W.L. Promnitz Dip FS(Super) SSA
M.J. Klem CA
K.A. Smith CPA
T.J. Killeen CA
H.G. Mahony CPA
L.A. Walther CPA
M.P. Robson CPA
K.J. Hughson CA

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

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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 8 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 company's and consolidated entity's financial position as at 30 June 2006 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

30th September, 2006

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 29 August 2006.

(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	5	3,400
1,001 - 5,000	79	192,106
5,001 - 10,000	8	60,738
10,001 - 100,000	37	1,458,244
100,001 and over	8	1,722,844
	137	3,437,332

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	438,958	12.8%
2	Westmont Holdings Pty Ltd	322,000	9.4%
3	Gold Sea Pty Ltd	319,533	9.3%
4	G. & R. Osborne	202,958	5.9%
5	Pedrobob Pty Ltd	118,392	3.4%
6	J. Khalid	112,754	3.3%
7	Bendigo Asset Management	104,545	3.0%
8	Tribuzi Contractors Pty Ltd	103,704	3.0%
9	Harjan Pty Ltd	87,654	2.6%
10	M & Y Everitt & L. Seeley ATF Everitt & Seeley S/Fund	67,163	2.0%
		1,877,661	54.7%

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	438,958
Westmont Holdings Pty Ltd	322,000
Gold Sea Pty Ltd	319,533
Hurstdale Pastoral Co Pty Ltd	202,958

(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
Dr Gregory Walsh	Non-Executive Director
Mr Brian Rodwell	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;

CORPORATE GOVERNANCE STATEMENT

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.

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 three occasions during the period ended 30 June 2006.

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.

CORPORATE GOVERNANCE STATEMENT

Monitoring Governance Performance

The board's governance performance was not reviewed during the financial year.