

Victorian Livestock Exchange Limited
ABN 72 078 839 031

Annual Financial Report
for the year ended 30 June 2002

CORPORATE INFORMATION

ABN 72 078 839 031

Directors

Christopher Sleigh (Non-executive Chairman)
Graham Osborne (Executive Director of Operations)
Bruce Barron (Non-executive Director)
Michael Quinert (Non-executive Director)
Michael Everitt (Non-executive Director)
Gregory Walsh (Non-executive Director)

Company Secretary

Michael Quinert

Registered Office

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

Business Address

30 Livestock Way
Pakenham Victoria 3810
Ph: (03) 5940 2121

Solicitors

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

Bankers

National Australia Bank Limited

Share Register

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

Auditors

Ernst & Young
Level 33, 120 Collins Street
Melbourne Victoria 3000

Internet Address

www.vle.com.au

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DIRECTORS REPORT

Your directors submit their report for the year ended 30 June 2002.

1. DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

(a) Names, qualifications, experience and special responsibilities

Mr Christopher Sleigh (Non-executive Chairman)

Chris was the original sponsor of a livestock-selling complex at Pakenham, and originally owned part of the development site. He is a registered commercial builder having over 19 years experience in the construction of industrial buildings, and has other industrial property interests in the southeast growth corridor of Melbourne. He also has farming interests in central Victoria, including cattle breeding.

Mr Graham Osborne Dip. RBM FAICD (Executive Director of Operations)

Graham has extensive knowledge of the livestock industry including transportation, marketing and breeding. He is a qualified CALM assessor and has had considerable experience in trading cattle futures. He is a past president of the Victorian Farmers Federation - Pakenham Branch, and is currently a Councillor of the Shire of Cardinia and maintains considerable cattle interests.

Graham's knowledge of saleyard operations throughout southeast Australia, and extensive industry associations, have been invaluable in reaching agreement with the stock agents and in addressing industry related issues. Graham's areas of responsibility include overseeing the day to day operations of the VLE, monitoring related industry issues, and maintaining the principle relationship with all stock agents, and users of the facility.

Mr Bruce Barron (Non-executive Director)

Bruce has 14 years experience in both residential and commercial property developments including 8 years experience in cattle breeding. He has held positions as a Councillor of the City of Berwick, President of the Berwick Village Chamber of Commerce and was Managing Director of commercial building design and development consultants, Barlink Pty Ltd. Barlink designed and prepared the initial feasibility assessments for the VLE facility at Pakenham. He has been a key driving force in establishing the Victorian Livestock Exchange since its inception.

Mr Michael Quinert LL.B., B.Ec (Secretary)

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

He was previously an associate at Kearneys solicitors, a senior associate of Donovan & Howard, and solicitor for the companies department at the Australian Stock Exchange (Melbourne) Limited. He is a director of several listed and unlisted public companies including Home Link Mortgage Corporation Limited, Disctronics Limited and Quatro 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.

DIRECTORS' REPORT CONTINUED

(a) Names, qualifications, experience and special responsibilities (cont.)

Mr Michael Everitt (Non-executive Director, appointed 5 November 2001)

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 20 years experience in the industry.

Mr Gregory Walsh (Non-executive Director, appointed 1 December 2001)

Gregory has a vast experience in Regional Funding and capital raising, acts as a consultant to Governments on restructuring and the finance packages to match. He specialises in economics and has extensive contacts in Municipal fields to which VLE may wish to expand.

(b) Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Victorian Livestock Exchange Limited were:

	Ordinary Shares
Christopher Sleigh	
- As an individual	48,000
- Maintangoon Pty Ltd	374,000
- Vialima Pty Ltd	50,000
- HCF Australia Pty Ltd ATF HCF Australia Superannuation Fund	28,000
	<u>500,000</u>
Bruce Barron	
- W & B Barron Pty Ltd	<u>340,000</u>
Graham Osborne	
- Pedrobob Pty Ltd	105,000
- Hurstdale Pastoral Co Pty Ltd	180,000
	<u>285,000</u>
Michael Quinert	
- As an individual	44,000
- Gold Sea Pty Ltd	267,300
- Quinert Family Trust	57,000
	<u>368,300</u>
Michael Everitt	
- Everitt & Seeley Pty Ltd	<u>50,000</u>
Gregory Walsh	
- As an individual	<u>9,180</u>

DIRECTORS' REPORT CONTINUED

2. EARNINGS PER SHARE

	Cents
Basic earnings per share	0.8

3. DIVIDENDS

No dividends have been paid or declared since the start of the financial year. The Directors do not recommend the payment of a dividend in respect of the year ended 30 June 2002.

4. CORPORATE INFORMATION

(a) Corporate structure

Victorian Livestock Exchange Limited is a company limited by shares that is incorporated and domiciled in Australia.

(b) Nature of operations and principal activities

The principal activities during the year of the company were:

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

There have been no significant changes in the nature of those activities during the year.

(c) Employees

The company employed 33 employees as at 30 June 2002 (2001: 29 employees).

5. REVIEW AND RESULTS OF OPERATIONS

(a) Operating Results

Summarised operating results are as follows:

	2002		
	Livestock Operations \$	Land Subdivision \$	TOTAL \$
Revenues	1,475,603	805,000	2,280,603
Result before significant revenues and expenses	(10,600)	87,713	77,113
Significant revenues and expenses	-	(29,000)	(29,000)
Result before income tax	(10,600)	58,713	48,113
Income tax expense			(21,840)
Result after income tax			26,273

DIRECTORS' REPORT CONTINUED

5. REVIEW AND RESULTS OF OPERATIONS (cont'd)

(a) Operating Results (cont'd)

The annual accounts show a profit after tax of \$26,275. This is an improvement on last year of \$191,222. The company's revenues increased by 29.3%. The increase in revenues is due in part to the new pricing structure implemented upon listing of the company and in part is attributable to an increase in throughput of 8,300 head of adult cattle.

The year started very strongly, with the best first six months since the company commenced operations; unfortunately this trend did not continue. While the last six months were profitable, they did not live up to expectations. The June throughput was the lowest June recorded. This was due to producers withholding stock from sale as prices declined by approximately 25%. The price decline was, and is still being driven by unfavourable seasonal conditions in much of inland eastern Australia coupled with a substantial softening of demand for Australian product in Japan and the United States of America (USA). The diverting of product destined for Japan to USA has seen the filling of the USA quota (378,000 tonnes) and a further decline in saleyard price, which is continuing to impact on prime cattle throughput.

On a brighter note, VLE has continued to strengthen its position as a calf selling centre (i.e. under 5 months) with 15,000 calves being sold in the small animal sector. On a similar note, although not in the reporting period, VLE has just conducted its two biggest sales, being successive store cattle sales of 2,500 head each.

A modest increase of 7% in throughput was recorded. This compared favourably against all other centres in southern Victoria which recorded falls varying from 2.6% to 19%. It should be noted the throughput of Korumburra is unknown. Total Victorian cattle slaughter is reported by the Australian Bureau of Statistics (ABS) as being 5% lower. It is a good result for the VLE to move against the trend.

During the year, contracts of sale were signed for another five lots of land and the subdivision and development of these lots commenced prior to year-end. Total profit from the sale of these five lots has been recorded as \$82,886. \$29,000 of costs incurred in relation to lots sold in prior years but not accrued, netted against \$4,828 of sundry revenue adjustments on settlement of Stage 7 reduced the net profit from the land subdivision activity to \$58,714.

Other expenses from ordinary activities increased by 19.4% from \$422,000 in the prior year to \$504,000. \$59,400 of this increase consists of the additional costs associated with operating as a listed company since 13 August 2001, including:

- Shareholder rebates of \$30,000 and share registry costs of \$11,000 being incurred for the first time; and
- Increases in audit and legal fees of \$11,500 and \$6,900 respectively

The majority of the remaining cost difference was due to higher insurance premiums and increased repairs and cleaning expenses in comparison to the prior year.

The operating regime has proven again to be quite flexible and robust with a stable cost base.

DIRECTORS' REPORT CONTINUED

5. REVIEW AND RESULTS OF OPERATIONS (cont'd)

(b) Operational Changes

There have been no major changes to operations throughout the year, however there has been an amount of fine-tuning in an effort to maximise efficiencies of livestock handling and labour usage and at the same time maintain the integrity of our ISO 9002 Quality Assurance accreditation. VLE continues to maintain a very high standard of operational effectiveness with errors of stock ownership and numbers at a very minimal occurrence.

(c) Throughput

As mentioned earlier, a modest increase of 7% was recorded. This compared favourably against all other centres in southern Victoria which recorded falls varying from 2.6% to 19.0%. It should be noted the throughput of Korumburra is unknown. Total Victorian cattle slaughter is reported by the Australian Bureau of Statistics (ABS) as being 5% lower. It is a good result for the VLE to move against this trend.

(d) Agents

The agencies operating at the VLE are proving quite stable. Elders VP are the largest operator with Peter Gibbon Livestock (PGL) running a commendable second. This is really a very good effort on behalf of PGL as the company was not operating at Dandenong (operated at Warragul only) and so had to start-up "cold" at the VLE. They have brought a significant part of their Warragul business to VLE.

(e) Staff

Key operations and administrative staff are the same as last year, with no departures or arrivals.

(f) Floor

The floor concept continues to be a success story, with demand for the outgoing product improving.

(g) Pens and Water Troughs

With 3½ 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. VLE sold troughs in the financial year to a South Australian Consortium that is building a new facility near Adelaide.

(h) Workforce Safety

There are currently no employees on workcare benefits. VLE continues to set the highest standard in Victoria for workforce safety, with no claims in the last 12 months. Workcover (Vic) is keen to replicate our operational skills in other yards.

(i) Industrial Relations

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

(j) Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Victorian Livestock Exchange support and have adhered to the principles of good corporate governance. The company's corporate governance statement is contained in the additional BSX information section of this annual report.

DIRECTORS' REPORT CONTINUED

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Contributed equity increased to \$3,079,186 from \$2,550,000, an increase of \$529,186. A total of \$707,080 was raised through a public share issue less \$177,894 being the costs of raising the equity.

The company was admitted to the BSX on 13 August 2001 and trading in its non-restricted securities commenced on that date.

No other significant changes in the company's state of affairs occurred during the financial year.

7. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the company.

9. ENVIRONMENTAL REGULATION AND PERFORMANCE

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

10. SHARE OPTIONS

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

11. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Subject to the provisions of Section 241 of the Act every director or officer of the company is indemnified out of the funds of the company against all liability incurred by him as such director or officer in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted. The amount of the premium paid was \$4,100.

DIRECTORS' REPORT CONTINUED

12. DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

(a) Remuneration Policy

Directors fees have been set at \$15,000 per annum for Gregory Walsh and \$10,000 per director per annum for all other directors. This amount has been determined by the board.

(b) Emoluments of each director and each of the six executive officers receiving the highest emoluments are as follows

	Annual Emoluments Base Fee \$	Long Term Emoluments Superannuation \$
Christopher Sleigh	10,000	800
Bruce Barron	10,000	800
Graham Osborne	10,000	800
Michael Quinert	10,000	800
Michael Everitt	6,667	533
Gregory Walsh	8,750	700

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

13. DIRECTORS' MEETINGS

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

	No of Director's Meetings Held while a director	No of Meetings attended
Christopher Sleigh	14	13
Bruce Barron	14	14
Graham Osborne	14	14
Michael Quinert	14	13
Michael Everitt	10	9
Gregory Walsh	10	10

Signed in accordance with a resolution of the directors.

C. Sleigh
Director

Melbourne, September 2002

STATEMENT OF FINANCIAL PERFORMANCE YEAR ENDED 30 JUNE 2002

	Notes	2002	2001
			\$
Revenues from ordinary activities	2	2,280,603	1,763,961
Depreciation and amortisation expenses	3	(298,521)	(282,964)
Borrowing costs expense	3	(329,102)	(451,345)
Salaries and employee benefits expense		(355,672)	(352,023)
Other expenses from ordinary activities	3,3(b)	(1,249,195)	(886,032)
PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		48,113	(208,403)
INCOME TAX (EXPENSE) BENEFIT RELATING TO ORDINARY ACTIVITIES	4	(21,840)	43,456
NET PROFIT (LOSS)	18	26,273	(164,947)
Basic earnings per share (cents per share)	22	0.8	(6.8)

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2002

	Notes	2002 \$	2001 \$
CURRENT ASSETS			
Cash assets		1,138	171,879
Receivables	6	888,585	354,488
Inventories	7	346,852	305,244
Other	8	20,954	150,904
TOTAL CURRENT ASSETS		1,257,529	982,515
NON-CURRENT ASSETS			
Other financial assets	9	-	-
Property, plant and equipment	10	6,206,943	6,420,217
Deferred tax assets	4	254,121	233,346
Intangible assets	11	184,137	206,455
TOTAL NON-CURRENT ASSETS		6,645,201	6,860,018
TOTAL ASSETS		7,902,730	7,842,533
CURRENT LIABILITIES			
Payables	12	763,046	155,411
Interest-bearing liabilities	13	81,049	62,667
Provisions	14	9,389	7,182
Other	15	-	166,100
TOTAL CURRENT LIABILITIES		853,484	391,360
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	16	3,900,000	4,900,000
Deferred tax liabilities	4	231,118	188,504
TOTAL NON-CURRENT LIABILITIES		4,131,118	5,088,504
TOTAL LIABILITIES		4,984,602	5,479,864
NET ASSETS		2,918,128	2,362,669
EQUITY			
Contributed equity	17	3,079,186	2,550,000
Accumulated losses	18	(161,058)	(187,331)
TOTAL EQUITY		2,918,128	2,362,669

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2002

	Notes	2002 \$	2001 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		999,724	1,608,312
Payments to suppliers and employees		(283,052)	(952,364)
Interest received		493	12
Borrowing costs		(345,533)	(412,776)
NET CASH FLOWS FROM OPERATING ACTIVITIES	19(a)	<u>371,632</u>	<u>243,184</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(62,929)	(25,338)
Investment in joint ventures		-	(150)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		<u>(62,929)</u>	<u>(25,488)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings – other		(1,000,000)	(100,000)
Payment of prospectus and listing costs		(38,807)	(139,087)
Proceeds from issue of ordinary shares		540,980	166,100
NET CASH FLOWS USED IN FINANCING ACTIVITIES		<u>(497,827)</u>	<u>(72,987)</u>
NET INCREASE/(DECREASE) IN CASH HELD		(189,124)	144,709
Add opening cash brought forward		109,212	(35,497)
CLOSING CASH CARRIED FORWARD	19(b)	<u><u>(79,912)</u></u>	<u><u>109,212</u></u>

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention.

The accounting policies are consistent with those of the previous year.

(b) Cash and cash equivalents

Cash on hand and in banks are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

(c) Receivables

Trade receivables and sundry debtors are recognised and carried at original invoice amount. As the only trade receivables relate to rental of stock agent's office space it is not deemed necessary to provide for doubtful debts. There were no bad debts during the period and no debtors charged the company interest.

Amounts receivable from sale of industrial land and from related parties are recognised and carried at the nominal amounts due. No interest is charged on these receivables.

(d) Investments

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.

(e) Inventories

Land held for resale

Freehold property purchased for development and resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition and development.

NOTES CONTINUED

30 JUNE 2002

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

(f) Recoverable Amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount, the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate.

(g) Property, plant and equipment

Cost and valuation

All classes of land, buildings and property, plant and equipment are measured at cost.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than freehold land.

Major depreciation periods are:

	2002	2001
Freehold buildings:	20 to 40 years	20 to 40 years
Plant and equipment:	4 to 20 years	4 to 20 years

(h) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

(i) Intangibles

Intellectual property

Intellectual property includes the trademarks, logos, names, research material, financial data, records, feasibility studies, copyrights and other material necessary to the establishment and conduct of the business of the company. Intellectual property is valued in the accounts at cost of acquisition and amortised over twenty years, being the period in which the benefits are expected to be realised.

Licences

EPA licences and QA certification expenses are valued in the accounts at cost of acquisition and are amortised over three years, being the period in which their benefits are expected to be realised.

NOTES CONTINUED

30 JUNE 2002

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

(j) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(k) Interest-bearing liabilities

All bills of exchange are measured at the principal amount. Interest is charged as an expense as it accrues.

(l) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(m) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Sale of Goods

Control of the goods has passed to the buyer.

Rendering of Services

Where the contract outcome can be reliably measured, control of the right to be compensated for the services and the stage of completion can be reliably measured. Stage of completion is measured by reference to the labour hours incurred to date as a percentage of total estimated labour hours for each contract.

Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

Interest

Control of the right to receive the interest payment.

Sale of Industrial Land

Profits are brought to account on the signing of an unconditional contract of sale.

NOTES CONTINUED

30 JUNE 2002

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

(n) Taxes

Income taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(o) Employee entitlements

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

Employee entitlements expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave entitlements; and
- other types of employee entitlements

are charged against profits on a net basis in their respective categories.

NOTES CONTINUED
30 JUNE 2002

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

(p) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

(q) Comparative figures

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

NOTES CONTINUED
30 JUNE 2002

	Notes	2002	2001
		\$	\$
2. REVENUE FROM ORDINARY ACTIVITIES			
Revenues from operating activities			
Weigh fees & store sales		1,036,227	848,649
Droving fees		144,655	139,907
Auctioneers fees		50,000	51,250
Truckwash fees		133,309	86,729
Revenue from sale of land		805,000	540,000
Total revenues from operating activities		2,169,191	1,666,535
Revenues from non-operating activities			
Rent		60,493	47,363
Interest – Other persons/corporations		493	12
Government grants		-	18,000
Sundry other revenue		50,426	32,051
Total revenues from outside the operating activities		111,412	97,426
Total revenues from ordinary activities		2,280,603	1,763,961
3. EXPENSES AND LOSSES/(GAINS)			
(a) Expenses			
Cost of land sold		717,286	423,986
Depreciation of non-current assets			
Plant and equipment		51,169	47,269
Buildings		225,034	224,321
Total depreciation of non-current assets		276,203	271,590
Amortisation of non-current assets			
Licences		13,318	2,374
Intellectual property		9,000	9,000
Total amortisation of non-current assets		22,318	11,374
Total depreciation and amortisation expenses		298,521	282,964

NOTES CONTINUED
30 JUNE 2002

	Notes	2002	2001
		\$	\$
3. EXPENSES AND LOSSES/(GAINS) (cont'd)			
(a) Expenses (cont'd)			
Borrowing costs expensed:			
Interest expense			
- Bills of exchange		307,688	406,444
- Overdraft		3,664	3,902
- Other		5,000	10,000
		<u>316,352</u>	<u>420,346</u>
Other borrowing costs		12,750	30,999
Total borrowing costs expensed		<u>329,102</u>	<u>451,345</u>
Operating lease rental			
- minimum lease payments		24,457	25,406
(b) Material/Significant Items			
Profit from ordinary activities before income tax expense includes the following material revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:			
Previously capitalised costs written off as future benefits are no longer deemed to be recoverable:			
- Formation expenses		-	(25,597)
- Borrowing costs		-	(28,399)
Previously accrued provision for deferred maintenance written back as liability not yet crystallised		-	40,000
Write-off of development expenses previously included in cost of inventories at 30 June 2000. The land to which the costs relate was sold in the year ended 30 June 1999.		-	(36,013)
Provision for diminution raised to ensure carrying value of non-current investments reflect their recoverable amounts		-	(18,149)
Write-off of development expenses incurred in year ended 30 June 2002 relating to subdivided land sold in year ended 30 June 2001		(29,000)	-

NOTES CONTINUED

30 JUNE 2002

	Notes	2002	2001
		\$	\$
4. INCOME TAX			
The prima facie tax on profit/(loss) differs from the income tax provided in the financial statements as follows:			
Prima facie tax on profit/(loss) from ordinary activities		14,436	(70,857)
Tax effect of permanent differences			
Amortisation of intangible assets		6,695	3,867
Capital expenses		-	8,703
Other items (net)		709	7,022
Adjustment to future income tax benefit and provision for deferred income tax for change in company tax rate to 30%		-	7,809
Income tax expense (benefit) attributable to ordinary activities		<u>21,840</u>	<u>(43,456)</u>
Deferred tax assets and liabilities			
Provision for deferred income tax – non-current		231,118	188,504
Future income tax benefit – non-current		254,121	233,346
Income tax losses			
Future income tax benefit carried forward as an asset that is attributable to tax losses		243,528	221,196

This future income tax benefit will only be obtained if:

- (a) Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends have been paid, and none have been provided for in respect of the year ended 30 June 2002 (2001: \$Nil). As at 30 June 2002 the company's Dividend Franking Account had a nil balance (2001: \$Nil).

NOTES CONTINUED
30 JUNE 2002

	Notes	2002 \$	2001 \$
6. RECEIVABLES			
Trade debtors		77,863	68,656
Amount due from sale of industrial land		802,172	275,000
Sundry debtors		8,550	10,832
		<u>888,585</u>	<u>354,488</u>
(a) Related party receivables			
Directors and director-related entities			
- director-related		12,668	8,120
(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 25			
7. INVENTORIES			
Land held for resale at cost			
Cost of acquisition		126,947	160,251
Development expenses capitalised		219,905	144,993
		<u>346,852</u>	<u>305,244</u>
Total inventories at lower of cost and net realisable value			
8. OTHER CURRENT ASSETS			
Prepayments		20,954	11,817
Transaction costs relating to upcoming share issue and exchange listing		-	139,087
		<u>20,954</u>	<u>150,904</u>
9. OTHER FINANCIAL ASSETS			
Equity in joint ventures for the National Livestock Exchange Pty Ltd and the NSW Livestock Exchange representing formation expenses and other outlays capitalised by the company		18,149	18,149
Provision for diminution		(18,149)	(18,149)
		<u>-</u>	<u>-</u>

NOTES CONTINUED
30 JUNE 2002

	Notes	2002 \$	2001 \$
10. PROPERTY, PLANT AND EQUIPMENT			
<i>Freehold land</i>			
At cost	10(c)	<u>160,251</u>	<u>160,251</u>
<i>Buildings and civil works</i>			
At cost		6,679,098	6,640,720
Accumulated depreciation		<u>(852,220)</u>	<u>(627,190)</u>
	10(c)	<u>5,826,878</u>	<u>6,013,530</u>
Total land and buildings		<u>5,987,129</u>	<u>6,173,781</u>
<i>Plant and equipment</i>			
At cost		397,426	372,878
Accumulated depreciation		<u>(177,612)</u>	<u>(126,442)</u>
Total plant and equipment	10(c)	<u>219,814</u>	<u>246,436</u>
Total property plant and equipment			
Cost		7,236,775	7,173,849
Accumulated depreciation and amortisation		<u>(1,029,832)</u>	<u>(753,632)</u>
Total written down amount		<u>6,206,943</u>	<u>6,420,217</u>

(a) Valuation of land and buildings

A directors' valuation of freehold land and buildings and all plant and equipment was undertaken on 30 June 2002. This valuation was performed on an open market basis, being the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date. The directors valued all property, plant and equipment at \$6,217,867.

(b) Assets pledged as security

Included in the balances of freehold land and buildings are assets over which first mortgages have been granted as security over commercial bills (see note 16). The terms of the first mortgages preclude the assets being sold or being used as security for further mortgages without the permission of the first mortgage holder. The mortgage also requires buildings that form part of the security to be fully insured at all times.

NOTES CONTINUED
30 JUNE 2002

	Notes	2002	2001
		\$	\$
10. PROPERTY, PLANT AND EQUIPMENT (cont'd)			
(c) Reconciliations			
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current and previous financial year			
<i>Freehold Land</i>			
Carrying amount at beginning and end		<u>160,251</u>	<u>160,251</u>
<i>Buildings and civil works</i>			
Carrying amount at beginning		6,013,530	6,236,257
Additions		38,382	3,165
Reversal of over-accrual in prior year		-	(1,571)
Depreciation expense		<u>(225,034)</u>	<u>(224,321)</u>
		<u>5,826,878</u>	<u>6,013,530</u>
<i>Plant and equipment</i>			
Carrying amount at beginning		246,436	269,961
Additions		24,547	23,744
Depreciation expense		<u>(51,169)</u>	<u>(47,269)</u>
		<u>219,814</u>	<u>246,436</u>
11. INTANGIBLES			
Licenses		47,475	47,475
Accumulated amortisation		<u>(20,838)</u>	<u>(7,520)</u>
		<u>26,637</u>	<u>39,955</u>
Intellectual property		180,000	180,000
Accumulated amortisation		<u>(22,500)</u>	<u>(13,500)</u>
		<u>157,500</u>	<u>166,500</u>
		<u>184,137</u>	<u>206,455</u>

NOTES CONTINUED
30 JUNE 2002

	Notes	2002 \$	2001 \$
12. PAYABLES			
Trade creditors		61,829	131,825
Construction costs outstanding		676,746	-
Other creditors		16,000	15,000
Withholding tax payable		3,858	3,995
Goods and services tax		4,613	4,591
		<u>763,046</u>	<u>155,411</u>
Aggregate amounts payable to related parties:			
Director related entity	25	5,500	8,250
Terms and conditions relating to the above financial instruments:			
(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 25			
13. INTEREST BEARING LIABILITIES (CURRENT)			
Borrowings secured by mortgage			
- bank overdraft		<u>81,049</u>	<u>62,667</u>
Terms and conditions relating to the above financial instruments			
(i) An overdraft facility of \$100,000 has been approved by the company's bankers and is secured by a first mortgage over the freehold land and buildings of the company.			
14. PROVISIONS			
Employee entitlements		<u>9,389</u>	<u>7,182</u>
15. OTHER LIABILITIES			
Application monies held – future share issue		<u>-</u>	<u>166,100</u>

NOTES CONTINUED

30 JUNE 2002

	Notes	2002	2001
		\$	\$

16. INTEREST BEARING LIABILITIES (NON-CURRENT)

Borrowings secured by mortgage - bills of exchange		<u>3,900,000</u>	<u>4,900,000</u>
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Terms and conditions relating to the above financial instrument

(i) The company has a fully utilised and approved bank bill facility of \$3,900,000 in place at 30 June 2002 (2001: \$4,900,000) which is secured by a registered first mortgage over the land of the company. The bills of exchange roll over every 30 days and have effective interest rates of 5.27% to 6.26% (2001: 5.30% to 6.71%). Although the financing facilities are due for settlement within 12 months, the bills have been disclosed as a non-current liability as the company is committed to an agreement to refinance prior to the completion of the financial report.

17. CONTRIBUTED EQUITY

(a) Issued and paid up capital

Ordinary shares fully paid		<u>3,079,186</u>	<u>2,550,000</u>
		<u>3,079,186</u>	<u>2,550,000</u>

(b) Movements in shares on issue

	2002		2001	
	Number of shares	\$	Number of shares	\$
Beginning of the financial year	2,550,000	2,550,000	2,400,000	2,400,000
Issued during the year				
- allotment to director-related entities	-	-	150,000	150,000
- public equity raising	642,800	707,080	-	-
less transaction costs		(177,894)	-	-
End of the financial year	<u>3,192,800</u>	<u>3,079,186</u>	<u>2,550,000</u>	<u>2,550,000</u>

(c) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company

NOTES CONTINUED

30 JUNE 2002

	Notes	2002	2001
		\$	\$
18. ACCUMULATED LOSSES			
Balance at beginning of year		(187,331)	(22,384)
Net profit/(loss) after income tax		<u>26,273</u>	<u>(164,947)</u>
Balance at end of year		<u>(161,058)</u>	<u>(187,331)</u>
19. STATEMENT OF CASH FLOWS			
(a) Reconciliation of the net profit/(loss) after tax to the net cash flows from operations			
Net profit/(loss)		26,273	(164,947)
Non-Cash items			
Depreciation of non-current assets		276,203	271,590
Amortisation of non-current assets		22,318	11,374
Provision for diminution of investments		-	18,149
Write-off of borrowing costs		-	28,399
Write-off of formation expenses		-	25,597
Changes in assets and liabilities			
(Increase)/decrease in trade and other receivables		(534,100)	(47,637)
(Increase)/decrease in inventory		(41,609)	319,848
(Increase)/decrease in future income tax benefit		(20,775)	(106,185)
(Increase)/decrease in prepayments		(9,137)	(1,037)
Increase/(decrease) in trade and other creditors		607,637	(116,635)
Increase/(decrease) in deferred income tax liability		42,615	62,730
Increase/(decrease) in employee entitlements		2,207	(62)
Increase/(decrease) in income in advance		-	(18,000)
Increase/(decrease) in provision for deferred maintenance		-	(40,000)
Net cash flow from operating activities		<u>371,632</u>	<u>243,184</u>
(b) Reconciliation of cash			
Cash balance comprises:			
- cash on hand		300	300
- cash at bank		837	171,579
- bank overdraft		<u>(81,049)</u>	<u>(62,667)</u>
Closing cash balance		<u>(79,912)</u>	<u>109,212</u>

NOTES CONTINUED

30 JUNE 2002

	Notes	2002	2001
		\$	\$

19. STATEMENT OF CASH FLOWS (cont'd)

(c) Financing facilities available

At balance date, the following financing facilities had been negotiated and were available:

Total facilities			
- bank overdraft		100,000	100,000
- bill facility		5,000,000	5,000,000
Facilities used at balance date:			
- bank overdraft		81,049	62,668
- bill facility		3,900,000	4,900,000
Facilities unused at balance date:			
- bank overdraft		18,951	37,332
- bill facility		1,100,000	100,000

20. EXPENDITURE COMMITMENTS

Operating lease expenditure commitments

Minimum lease payments			
- not later than one year		9,007	26,895
- later than one year and not later than five years		5,225	14,232
Aggregate lease expenditure contracted for at balance date, but not provided for in accounts		14,232	41,127

Operating leases have an average lease term of 3 years and an average implicit interest rate of 9%. Assets which are the subject of operating leases comprise items of office equipment.

21. EMPLOYEE ENTITLEMENTS

The aggregate employee entitlement liability is comprised of:

Accrued superannuation contributions	1,683	-
Provisions (current)	9,389	7,182
	11,072	7,182

NOTES CONTINUED

30 JUNE 2002

	Notes	2002	2001
		\$	\$
22. EARNINGS PER SHARE			
The following reflects the income and share data used in the calculation of basic earnings per share:			
Net profit/(loss)		26,273	(164,947)
		Number of shares	Number of shares
Weighted average number of ordinary shares on issue in the calculation of basic earnings per share		3,113,551	2,436,986
		2002	2001
		\$	\$

23. REMUNERATION OF DIRECTORS

(a) Directors' remuneration

Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of the company directly or indirectly by the company or any related party.	55,417	40,000
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(b) Prescribed benefits approved at general meeting

Prescribed benefits given during the financial year by the company or a related party to a person or to a prescribed superannuation fund in connection with the retirement of a person from a prescribed office in relation to the company:

B. Barron	800	800
C. Sleight	800	800
G. Osborne	800	800
M. Quinert	800	800
M. Everitt	533	-
G. Walsh	700	-
	4,433	3,200
	No.	No.

The number of directors of the company whose income (including superannuation contributions) falls within the following bands is:

\$0 - \$9,999	2	-
\$10,000 - \$19,999	4	4

NOTES CONTINUED
30 JUNE 2002

	Notes	2002	2001
		\$	\$
24. AUDITORS' REMUNERATION			
Amounts received or due and receivable by Ernst & Young for an audit or review of the company		<u>27,035</u>	<u>15,000</u>
No amounts were received or are due and receivable by Ernst & Young for any other services in relation to the company.			

NOTES CONTINUED

30 JUNE 2002

25. RELATED PARTY DISCLOSURES

Directors

The directors of Victorian Livestock Exchange Limited during the financial year were:

Bruce Barron
Christopher Sleigh
Graham Osborne
Michael Quinert
Michael Everitt (appointed 5 November 2001)
Gregory Walsh (appointed 1 December 2001)

Director-related entity transactions

Purchases

During the year the company purchased \$39,030 (2001: \$32,580) of legal services from Oakley Thompson & Co, of which Mr Michael Quinert is a partner. The purchases were made under normal commercial terms and conditions. No amount remained payable (2001: \$Nil) at year end.

During the year the company purchased \$14,667 (2001: \$34,676) of management services from W & B Barron Pty Ltd, of which Mr Bruce Barron is a director. The purchases were made under normal commercial terms and conditions. At balance date, \$917 (2001: \$2,750) remained payable, forming part of the balance of trade creditors.

During the year the company purchased \$51,333 (2001: \$33,000) of management services from Osborne Agcon Pty Ltd, of which Mr Graham Osborne is a director. The purchases were made under normal commercial terms and conditions. At balance date, \$4,583 (2001: \$5,500) remained payable, forming part of the balance of trade creditors.

During the year the company made MAPP payments of \$2,475 (2001: \$2,200) and paid shareholder rebates of \$3,123 (2001: Nil) to Everitt & Seeley Pty Ltd of which Mr Michael Everitt is a director. The purchases were made under normal commercial terms and conditions. At balance date, \$Nil (2001: \$275) remained payable, forming part of the balance of trade creditors.

Sales

During the year the company sold \$133,815 (2001: \$123,832) of services to Everitt & Seeley Pty Ltd, of which Mr Michael Everitt is a director. The sales were made under normal commercial terms and conditions. At balance date, \$12,668 (2001: \$8,120) remained receivable, forming part of the balance of trade debtors.

NOTES CONTINUED

30 JUNE 2002

25. RELATED PARTY DISCLOSURES (cont'd)

Equity instruments of directors

Interests at balance date

Interests in the equity instruments of the company held by directors and their director-related entities:

	Ordinary Shares Fully Paid	
	2002	2001
	Number	Number
Christopher Sleigh	500,000	424,000
Bruce Barron	350,000	350,000
Graham Osborne	285,000	285,000
Michael Quinert	368,300	327,000
Michael Everitt	50,000	50,000
Gregory Walsh	9,180	-
	<u>1,562,480</u>	<u>1,436,000</u>

Movements in directors' equity holdings

During the year the company issued 642,800 shares at a price of \$1.10 each in a public equity raising. Of this public issue, the following shares were acquired by directors and their director-related entities:

	Ordinary Shares
Christopher Sleigh	
- As an individual	48,000
- HCF Australia Pty Ltd ATF HCF Australia Superannuation Fund	28,000
	<u>76,000</u>
Michael Quinert	
- As an individual	14,000
- Gold Sea Pty Ltd	27,300
	<u>41,300</u>

On 29 April 2002 Gregory Walsh acquired 9,180 shares in the company, in an on-market trade, at an average price of \$1.09 per share.

On 28 June 2002, W & B Barron Pty Ltd (of which Mr Bruce Barron is a director) disposed of 10,000 shares, in an on-market trade, at an average price of \$1.08 per share. This trade was not reflected in the share register until after 30 June 2002.

25. RELATED PARTY DISCLOSURES (cont'd)

NOTES CONTINUED
30 JUNE 2002

Equity instruments of directors (cont'd)

There have been no other transactions concerning equity instruments during the financial year with directors or their director-related entities.

All equity dealings with directors have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arm's length.

26. SEGMENT INFORMATION

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

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

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

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

NOTES CONTINUED
30 JUNE 2002

26. SEGMENT INFORMATION (cont'd)

	Livestock Operations		Land Subdivision		Consolidated	
	2002	2001	2002	2001	2002	2001
	\$	\$	\$	\$	\$	\$
Revenue						
Sales to customers outside the the company	<u>1,475,603</u>	<u>1,223,961</u>	<u>805,000</u>	<u>540,000</u>	<u>2,280,603</u>	<u>1,763,961</u>
Results						
Segment result before income tax	<u>(10,600)</u>	<u>(288,477)</u>	<u>58,713</u>	<u>80,074</u>	<u>48,113</u>	<u>(208,403)</u>
Income tax (expense) benefit					<u>(21,840)</u>	<u>43,456</u>
Net profit					<u>26,273</u>	<u>164,947</u>
Assets						
Segment assets	<u>6,498,746</u>	<u>6,718,161</u>	<u>1,149,863</u>	<u>585,743</u>	<u>7,648,609</u>	<u>7,303,904</u>
Unallocated assets					<u>254,121</u>	<u>538,629</u>
Total assets					<u>7,902,730</u>	<u>7,842,533</u>
Liabilities						
Segment liabilities	<u>4,040,725</u>	<u>5,105,540</u>	<u>696,759</u>	<u>4,721</u>	<u>4,737,484</u>	<u>5,110,261</u>
Unallocated liabilities					<u>247,118</u>	<u>369,603</u>
Total liabilities					<u>4,984,602</u>	<u>5,479,864</u>
Other segment information:						
Acquisition of property, plant and equipment and intangibles	62,929	176,909	-	-	62,929	176,909
Depreciation	276,203	271,590	-	-	276,203	271,590
Amortisation	22,318	11,374	-	-	22,318	11,374
Non-cash expenses other than depreciation and amortisation	-	72,145	-	-	-	72,145

NOTES CONTINUED

30 JUNE 2002

27. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The company's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities are as follows:

	Floating interest rate	Fixed interest rate maturing in 1 year or less	Non-interest bearing	Total carrying amount per balance sheet	Weighted average effective interest rate
	\$	\$	\$	\$	%

AT 30 JUNE 2002:

(i) Financial assets

Cash	-	-	1,138	1,138	N/A
Trade and other receivables	-	-	888,585	888,585	N/A
Total financial assets	-	-	889,723	889,723	

(ii) Financial liabilities

Payables	-	-	763,046	763,046	N/A
Bank overdraft	81,049	-	-	81,049	8.7
Bills of exchange	-	3,900,000	-	3,900,000	5.8
Total financial liabilities	81,049	3,900,000	763,046	4,744,095	

AT 30 JUNE 2001:

(i) Financial assets

Cash	-	-	171,879	171,879	N/A
Trade and other receivables	-	-	354,488	354,488	N/A
Total financial assets	-	-	526,367	526,367	

(ii) Financial liabilities

Payables	-	-	155,411	155,411	N/A
Bank overdraft	62,667	-	-	62,667	8.4
Bills of exchange	-	4,900,000	-	4,900,000	6.3
Total financial liabilities	62,667	4,900,000	155,411	5,118,078	

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

NOTES CONTINUED
30 JUNE 2002

27. FINANCIAL INSTRUMENTS (cont'd)

(b) Net fair values

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

(c) Credit risk exposure

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

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Victorian Livestock Exchange Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2002 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the board

C. Sleigh
Director

Melbourne, September 2002

INDEPENDENT AUDIT REPORT

To the members of Victorian Livestock Exchange Limited

Scope

We have audited the financial report of Victorian Livestock Exchange Limited for the year ended 30 June 2002, as set out on pages 8 to 33, including the Directors' Declaration. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures include examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

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 financial position as at 30 June 2002 and of the performance of the company for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Act 2001; and
- b) other mandatory professional reporting requirements in Australia.

Ernst & Young

Stuart Alford
Partner

Melbourne, 2002

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 4 September, 2002.

(a) Distribution of equity securities

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	-	-
1,001	-	5,000	71	163,000
5,001	-	10,000	7	64,180
10,001	-	100,000	32	1,590,320
100,001	and over		6	1,375,300
			<u>116</u>	<u>3,192,800</u>

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		374,000	11.7%
2	W & B Barron Pty Ltd		340,000	11.6%
3	Gold Sea Pty Ltd		267,300	8.4%
4	Hurstdale Pastoral Co Pty Ltd		180,000	5.6%
5	G. Bennett		109,000	3.4%
6	Pedrobob Pty Ltd		105,000	3.3%
7	T. Van Vliet		100,000	3.1%
8	Tribuzi Contractors Pty Ltd		100,000	3.1%
9	J. Khalid		100,000	3.1%
10	Bendigo Asset Management Ltd		100,000	3.1%
			<u>1,775,300</u>	<u>55.4%</u>

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	374,000
W & B Barron Pty Ltd	340,000
Gold Sea Pty Ltd	267,300
Hurstdale Pastoral Co Pty Ltd	180,000

(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
Christopher Sleigh	Chairman, Non-Executive Director
Graham Osborne	Executive Director
Bruce Barron	Non-Executive Director
Michael Quinert	Non-Executive Director
Michael Everitt	Non-Executive Director
Gregory Walsh	Non-Executive Director

Board Responsibilities

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

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

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

CORPORATE GOVERNANCE STATEMENT

Monitoring of the Board's Performance and Communication to Shareholders

In order to ensure that the board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is reviewed annually by the chairperson. Directors whose performance is unsatisfactory are asked to retire.

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.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fourth annual general meeting of Victorian Livestock Exchange Limited will be held at 30 Livestock Way, Pakenham, Victoria at 8:30 am on Wednesday 13 November, 2002

Business

1. To receive, consider and adopt the Directors' Report and Financial Report for the year ended 30 June 2002 and the Auditor's Report on the financial report.
2. To transact any other business which may be lawfully brought forward.

By Order of the Board

Michael Quinert
Secretary

September 2002

Proxies

A member entitled to attend and vote at the meeting is entitled to appoint a proxy. A proxy need not be a member of the company. Proxies must be received by the company not later than 48 hours before the meeting. A form of proxy is provided with this notice.

FORM OF PROXY

Company Secretary
Victorian Livestock Exchange Limited
Level 17/500 Collins Street
MELBOURNE VIC 3000

I/We

of

being a member(s) of VICTORIAN LIVESTOCK EXCHANGE LIMITED hereby appoint

of

or, in his/her absence

of

as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the company to be held on the 21st day of November 2001 and at any adjournment of that meeting.

I/We desire to vote on the resolutions as indicated below:

Please indicate with an X how you wish your vote to be cast. Unless otherwise instructed, the proxy may vote as he/she thinks fit.

Resolution No.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
FOR															
AGAINST															
ABSTAIN															

Signed this day of 2002

Signature(s) of member(s)

(Proxies must be received by the company not less than forty-eight hours before the time appointed for the holding of the meeting.)