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Wednesday, 9 October 2002

Dear Shareholder,

Your company has continued to strengthen its financial position. A profit of \$26,273 has been recorded. Last year a loss of \$164,947 was recorded, therefore the improvement is \$191,220. This improvement is after allowance of \$298,521 for the non cash flow items of depreciation and amortisation. This is the company's best result to date. The balance sheet further demonstrates the improving position of the company with debt down from \$4.9 million to \$3.9 million. This outcome is driven by a combination of capital raising, land sales and operational activity. VLE has lowered its debt from \$5.8 million to \$3.9 million in three and a half years.

Directors intend to continue to use surplus funds to lower debt to \$3million or an equivalent position, before considering payment of a dividend.

Your directors retain an open mind and continue to seek opportunities to develop other revenue streams by better utilisation of the company's demonstrated skill base. To this end, the company "VLE Advisory Services Pty Ltd" has been formed since closing of the year's accounts. The company is to be used as a vehicle to provide consultancy and advisory services to the livestock saleyard industry, particularly in the field of implementation of the National Livestock Identification Scheme (NLIS).

Listing of the VLE shares on the Bendigo Stock Exchange (BSX) was a milestone for the company, BSX and regional Victoria. The stock is currently lightly traded. In the near future, other companies will be listed and the BSX will take on a vibrancy of its own by which time your company should have a strong asset backing and be returning dividends to its shareholders.

Although not a glamour business, the commitment of directors to build a company of substance with complete and open disclosure is beginning to bear fruit. We look forward to continuous improvement.

Christopher Sleight
Chairman of Directors



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Dear shareholder,

The year has seen a further consolidation of the company's position as an efficient and robust business. The modest (7%) increase in throughput is an encouraging result, more so when set against the declines of 2.6% to 19% recorded against all other saleyards in southern Victoria. Korumburra result is unknown. Many explanations could be offered for this result, however it is most likely to be driven by a combination of the quality and efficiency of the facility and its management ably supported by the marketing skills of the participating agencies.

The adjoining Warragul saleyards were sold in May to a private family that has shown itself to be a capable business operator in other fields of endeavour. As a result, your directors no longer factor into financial projections any dramatic benefits flowing from the Warragul district. If there is to be any change in patronage, then it will be as a result of producers and agencies making commercial decisions for their own reasons and in their own time. Many of the likely influencing factors are beyond the control of either VLE or the new Warragul owners.

Currently, VLE is successfully running weekly store sales (previously fortnightly) to cater for the increased number of stock coming forward for sale.

As detailed in the body of the enclosed Directors' report, the success of the physical facility is still an outstanding result.

Implementation of the National Livestock Identification Scheme (NLIS) is under way as also is the commencement of a business to provide electronic ear tag reading services to many infrequently used store selling centres across the state. This will be done via a trailer mounted portable race, reader and computer. VLE is creating its own software for the project.

At VLE, Pakenham it is hoped to establish the first regular and special store cattle sale in Victoria where cattle fitted with electronic ear tags are not required to have tail tags. This will be a step forward plus a labour saving to producers and agents.

We look forward to another year of sound trading and growth and to seeing you at the Annual General Meeting on Wednesday the 27th of November at the VLE, 8.30am.

Yours faithfully,

Graham Osborne
Managing Director