

Victorian Livestock Exchange Limited

ABN 72 078 839 031

and Controlled Entity

Annual Financial Report
for the year ended 30 June 2007

Victorian Livestock Exchange Limited and Controlled Entity - 2007 Annual Report

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

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

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 2007.

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 Capital 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.

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

Greg 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.

Mr Brian Rodwell (Non-executive Director)

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

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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 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, 2007 as recommended in last year's report	\$174,000
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5. OPERATING RESULT AND REVIEW OF OPERATIONS

(a) Operating Results

Summarised operating results are as follows:

	Livestock Operations \$000	2007 Land Subdivision \$000	TOTAL \$000
Revenues	3,953	1,210	5,163
Segment result	498	693	1,191
Finance costs			(658)
Result before income tax			533
Income tax benefit			(160)
Result after income tax			373

The annual accounts of the economic entity show a net profit after tax of \$373,000, 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 full benefit of the growth strategy is expected to be seen in the bottom line results of the years ahead. The cash generated from the development and sale of excess industrial land surrounding the economic entity's livestock marketing centres continues to be a major contributor to the group's performance and growth.

The consolidated group, 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 and southern NSW.

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DIRECTORS' REPORT CONTINUED**(b) Operational changes**

Pakenham, as the flagship facility, has continued to improve in efficiency and effectiveness. Leongatha has taken over all Korumburra cattle sales shortly after balance date. While the usual start up related process and technical difficulties have been experienced at Leongatha, the foundation of the underlying concepts remains unmoved. Again, cattle handling efficiency, staff safety and animal traceability / food safety matters are well addressed. Yarram market was closed in June 2007; the throughput should be reflected at Leongatha in the 2008 financial year.

(c) Throughput

The drought again distorted the throughput patterns. Pakenham's Monday prime cattle sale is now established as the premier trade cattle sale in Victoria, its other sales hold their own but do not enjoy the same status. Pakenham Monday numbers showed a good improvement. All other centres were stable or showed slight decline.

(d) Agents

The agencies operating at the VLE 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, emphasis has been placed on employing smart young people at the major centres at Pakenham and Leongatha. This policy is deriving benefit.

(f) Floor

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

(g) Pens and Water Troughs

With eight 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 and Leongatha facilities, 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.

6. FINANCIAL POSITION

The net assets of the consolidated group have increased by \$2,241,000 from \$8,120,000 at 30 June 2006 to \$10,361,000 at 30 June 2007. This increase has resulted from the improved operating performance of the group.

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

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DIRECTORS' REPORT CONTINUED

8. FUTURE DEVELOPMENTS

The directors are hopeful of a finalisation of the refurbishment of VLE Leongatha and the transfer of all Korumburra business to VLE Leongatha in the year ended 30 June 2008.

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 consolidated group.

9. 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 consolidated group's operations are not regulated by any other significant environmental regulation under a law of Commonwealth or of a State or Territory.

10. 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.

11. 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.

12. 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.

13. 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 other executives are Mrs Julie Khalid & Mr Michael Maye.

(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 consolidated group. 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.

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DIRECTORS' REPORT CONTINUED

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

(b) Details of remuneration for year ended 30 June 2007

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	20	2	-	22
Mr G. Osborne	105	9	-	114
Mr M. Quinert	-	-	20	20
Dr G. Walsh	20	2	-	22
Mr B. Rodwell	20	2	-	22
	165	15	20	200
Specified Executive:				
Mrs J. Khalid	52	5	-	57
Mr M. Maye	67	6	-	73
	119	11		130

(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 2005 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.

14. 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	15	12	2	2
Graham Osborne	15	15	2	2
Michael Quinert	15	14	-	-
Gregory Walsh	15	13	2	2
Brian Rodwell	15	14	-	-

15. NON-AUDIT SERVICES

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

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DIRECTORS' REPORT CONTINUED**16. 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 2007 has been received and can be found on page 7 of this financial report


17. 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 50 of this financial report.

18. 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. Sleight
Director

Dated this 21st day of September 2007



SINCLAIR WILSON
Audit Services

VICTORIAN LIVESTOCK EXCHANGE LIMITED
ABN: 72 078 839 031

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

**TO THE DIRECTORS OF
VICTORIAN LIVESTOCK EXCHANGE LIMITED AND CONTROLLED
ENTITY**

PARTNERS

W.R. Philpott 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
K.R. Grant CPA
S.F. Delaney CA
W.L. Promnitz Dip. FS
(Super) SSA

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
B.J. O'Connor CA
S. Dickie CPA
M.J. Klem CA
K.A. Smith CPA
H.G. Mahony CPA
L.A. Walther CPA
M.P. Robson CPA
K.J. Hughson CA
B.M. Levett CA
R.F. Crothers B. Ag. Sci
(Melb) Dip of Bus.
L.C. OKeefe CPA

CONSULTANTS

W.G. Sinclair FCPA
R.J. McMillan

PALAIS BUILDING

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info@sinclairwilson.com.au
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BRANCHES

Camperdown
Cobden
Hamilton
Montlake
Mt. Gambler
Port Fairy
Terang
Timboon

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2007 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.

Dated this 24th September, 2007


Felicity Melican
Partner
Sinclair Wilson

177 Koroit Street
Warrnambool VIC 3280

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INCOME STATEMENT FOR THE YEAR ENDED 30 June 2007

	Note	Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		\$000	\$000	\$000	\$000
Revenue	2	5,163	2,845	5,087	2,750
Other income	2	-	2	-	2
Employee benefits expense		(1,532)	(849)	(1,519)	(849)
Depreciation and amortisation expense	3	(476)	(385)	(466)	(383)
Impairment of Property & Buildings		(33)	-	(33)	-
Other expenses		(1,931)	(1,354)	(1,871)	(1,283)
Finance costs	3	(658)	(410)	(658)	(410)
Profit/(Loss) before income tax expense		533	(151)	540	(173)
Income tax revenue (expense)	4	(160)	44	(162)	51
Profit/(Loss) for the year		373	(107)	378	(122)
Overall Operations					
Basic and diluted earnings per share (cents per share)	8	10.73	(3.17)		
Dividends per share (cents)	7	-	5.00		

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BALANCE SHEET AS AT 30 JUNE 2007

	Note	Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		\$000	\$000	\$000	\$000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	9	35	288	33	275
Trade and other receivables	10	465	361	473	358
Inventories	11	466	883	466	883
Current tax assets	19	258	153	246	157
Other current assets	12	67	77	67	76
TOTAL CURRENT ASSETS		1,291	1,762	1,285	1,749
NON-CURRENT ASSETS					
Property, plant and equipment	15	19,849	16,051	19,808	16,023
Deferred tax assets	19	53	29	53	29
Intangible assets	16	1,436	1,436	1,436	1,436
TOTAL NON-CURRENT ASSETS		21,338	17,516	21,297	17,645
TOTAL ASSETS		22,629	19,278	22,582	19,237
CURRENT LIABILITIES					
Trade and other payables	17	889	1,475	886	1,482
Short-term borrowings	18	111	165	111	165
Short-term provisions	20	35	17	35	17
TOTAL CURRENT LIABILITIES		1,035	1,657	1,032	1,664
NON-CURRENT LIABILITIES					
Long-term borrowings	18	8,714	7,798	8,714	7,798
Deferred tax liabilities	19	2,515	1,699	2,514	1,699
Long-term provisions	20	4	4	4	4
TOTAL NON-CURRENT LIABILITIES		11,233	9,501	11,232	9,501
TOTAL LIABILITIES		12,268	11,158	12,264	11,165
NET ASSETS		10,361	8,120	10,318	8,072
EQUITY					
Issued capital	21	3,504	3,363	3,504	3,363
Reserves	22	5,196	3,295	5,196	3,295
Retained earnings		1,661	1,462	1,618	1,414
TOTAL EQUITY		10,361	8,120	10,318	8,072

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STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2007

		Share Capital	Retained Earnings	Asset Revalu- ation Reserve	TOTAL
	Note	\$000	\$000	\$000	\$000
CONSOLIDATED GROUP					
Balance at 1 July 2005		3,247	1,737	3,295	8,279
Shares issued during the year		116	-	-	116
Profit for the year		-	(107)	-	(107)
Revaluation increment		-	-	-	-
Sub-total		3,363	1,630	3,295	8,288
Dividends paid or provided for	7	-	(168)	-	(168)
Balance at 30 June 2006		3,363	1,462	3,295	8,120
Shares issued during the year		141	-	-	141
Revaluation increment		-	-	1,901	1,901
Profit for the year		-	373	-	373
Sub-total		3,504	1,835	5,196	10,535
Dividends paid or provided for	7	-	(174)	-	(174)
Balance at 30 June 2007		3,504	1,661	5,196	10,361
PARENT ENTITY					
Balance at 1 July 2005		3,247	1,704	3,295	8,246
Shares issued during the year		116	-	-	116
Profit for the year		-	(122)	-	(122)
Revaluation increment		-	-	-	-
Sub-total		3,363	1,582	3,295	8,240
Dividends paid or provided for	7	-	(168)	-	(168)
Balance at 30 June 2006		3,363	1,414	3,295	8,072
Shares issued during the year		141	-	-	141
Revaluation increment		-	-	1,901	1,901
Profit for the year		-	378	-	378
Sub-total		3,504	1,792	5,196	10,492
Dividends paid or provided for	7	-	(174)	-	(174)
Balance at 30 June 2007		3,504	1,618	5,196	10,318

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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 June 2007

		Consolidated Group		Parent Entity	
	Note	2007	2006	2007	2006
		\$000	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		5,072	4,857	4,985	4,749
Payments to suppliers and employees		(3,528)	(2,647)	(3,478)	(2,562)
Interest received		2	30	2	30
Finance costs		(658)	(437)	(658)	(437)
Income tax paid		(288)	(645)	(275)	(629)
Net cash provided by operating activities	26a	600	1,158	576	1,151
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(1,457)	(5,471)	(1,422)	(5,448)
Purchase of other non-current assets		(189)	(1,067)	(189)	(1,067)
Proceeds from sale of property, plant and equipment		23	2	23	2
Net cash used in investing activities		(1,623)	(6,536)	(1,588)	(6,513)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		(240)	(10)	(240)	(10)
Proceeds from borrowings		1,159	5,625	1,159	5,625
Dividends paid by parent entity		(93)	(52)	(93)	(52)
Net cash provided by (used in) financing activities		826	5,563	826	5,563
Net increase (decrease) in cash held		(197)	185	(186)	201
Cash at beginning of financial year		134	(51)	121	(80)
CASH AT END OF FINANCIAL YEAR	9	(63)	134	(65)	121

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

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, including Australian Accounting 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 International Financial Reporting Standards (IFRS) in their entirety.

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

Basis of Preparation

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

Reporting Basis and Conventions

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

Accounting Policies**(a) Principles of Consolidation**

A controlled entity is any entity 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 2007 is VLE Advisory Services Pty Ltd. The controlled entity has a June financial year-end.

All inter-company balances and transactions between entities in the consolidated group, 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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

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 consolidated group 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. Finance costs and holding charges incurred after development are expensed. Profits are brought to account on the signing of an unconditional contract of sale.

Other

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

(d) Property, plant and equipment

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

Property

Freehold land and buildings are shown at their 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 as determined by the Directors based on information as provided by external independent valuers, and their own knowledge of the property held.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and Equipment

Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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

Plant and equipment are measured on the cost basis.

The carrying amount of 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 and buildings 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 and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvement.

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.

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 consolidated group are classified as finance leases.

Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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

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. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and Receivables

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

Held-to-maturity investments

These investments have fixed maturities, and it is the 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. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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

(f) Financial Instruments (cont'd)

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 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.

(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.

Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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

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).

(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.

Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(o) Goods and Services Tax (GST) (cont'd)**

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 to 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.

Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		\$000	\$000	\$000	\$000
NOTE 2: REVENUE					
Operating activities					
Revenue from sale of land and goods		1,230	561	1,210	505
Revenue from rendering of services		3,822	2,064	3,766	2,025
Government grants received		-	30	-	30
Rental revenue		109	66	109	66
Interest received – other persons		2	30	2	30
Over-accrual of land development costs in prior year			94		94
Total revenue		5,163	2,845	5,087	2,750
Non-operating activities					
Gains on disposal of property, plant and equipment		-	2	-	2
Other income		-	2	-	2
NOTE 3: PROFIT FOR THE YEAR					
(a) Expenses					
Cost of sales		451	205	437	160
Depreciation of non-current assets		157	117	147	115
- Plant and equipment		319	268	319	268
- Buildings					
Total depreciation and amortisation expense		476	385	466	383
Finance Costs:					
Interest Expense		647	343	647	343
- Bills of exchange		7	34	7	34
- Overdrafts		4	9	4	9
- Other		658	386	658	386
Other finance costs		-	24	-	24
Total finance costs expense		658	410	658	410
Impairment of Assets:					
- property, plant and equipment		33	-	33	-
Rental expense on operating leases		116	36	116	36
- minimum lease payments					

Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		Consolidated Group		Parent Entity	
	Note	2007	2006	2007	2006
		\$000	\$000	\$000	\$000

NOTE 3: 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 2006	-	94	-	94
---	---	----	---	----

NOTE 4: INCOME TAX EXPENSE

The components of tax expense comprise:

Current tax	19	174	(34)	176	(41)
Deferred tax		(14)	(10)	(14)	(10)
		160	(44)	162	(51)

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%)	161	(45)	163	(52)
Add: Tax effect of non-allowable items	(1)	1	(1)	1
Income tax expense attributable to entity	160	(44)	162	(51)

The applicable weighted average effective tax rates are as follows:

30%	30%	30%	30%
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NOTE 5: 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. Sleight	Chairman – Non-executive
Mr G. Osborne	Managing Director – Executive
Mr M. Quinert	Director – Non-executive, Secretary
Dr G. Walsh	Director – Non-executive
Mr B. Rodwell	Director – Non-executive
Mrs J. Khalid	Systems Manager
Mr M. Maye	Chief Financial Officer

Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated Group		Parent Entity	
Note	2007	2006	2007	2006
	\$000	\$000	\$000	\$000

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.

(c) Key Management Personnel Compensation

Key Management Person	Salary	Short-term benefits Super- annuation Contrib.	Other*	TOTAL
	\$000	\$000	\$000	\$000
Year ended 30 June 2007:				
Mr C. Sleigh	20	2		22
Mr G. Osborne	105	9		114
Mr M. Quinert			20	20
Dr G. Walsh	20	2		22
Mr B. Rodwell	20	2		22
Mrs J. Khalid	52	5		57
Mr M. Maye	67	6		73
	284	26	20	330
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

* Other remuneration is fees for management services paid to Bardora Pty Ltd, a director-related entity of Mr M. Quinert – refer Note 28.

Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		Consolidated Group		Parent Entity	
	Note	2007	2006	2007	2006
		\$000	\$000	\$000	\$000

NOTE 5: 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 01.07.06	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.06.07
Christopher Sleigh					
- as an individual	65,593	-	-	1,774	67,367
- Gay Hartley	4,511	-	-	122	4,633
- Maintagoon Pty Ltd	438,958	-	-	11,864	450,822
- Harjan Pty Ltd	87,654	-	-	2,370	90,024
- Vialima Pty Ltd	56,377	-	-	1,524	57,901
- HCF Australia Superannuation Fund	83,927	-	-	105,388	189,315
	737,020	-	-	123,042	860,062
Graham Osborne					
- Pedrobob Pty Ltd	118,392	-	-	3,200	121,592
- jointly with Rosemary Osborne	202,958	-	-	5,404	208,362
- Hurstdale Superannuation		46,222	-	1,250	47,472
- Osborne Agcon Pty Ltd	6,471	-	-	175	6,646
- James Osborne	4,315	-	-	117	4,432
	332,136	46,222	-	10,146	388,504
Michael Quinert					
- as an individual	49,612	-	-	1,341	50,953
- Gold Sea Pty Ltd	319,533	-	-	-	319,533
- Quinert Family Trust	53,485	-	-	1,446	54,931
- Oakley Thompson & Co Pty Ltd	21,424	-	-	579	22,003
- Kenneth Norwood Quinert	64,000	-	-	1,730	65,732
- Kastin Pty Ltd	46,571	-	-	1,259	47,830
	554,625	-	-	6,355	560,980
Brian Rodwell					
- Brankeet Pastoral Company Pty Ltd		-	-	37,837	37,837
				37,837	37,837
Gregory Walsh					
- as an individual	57,412	-	-	(57,412)	0
- Tercsa Walsh	11,031	-	-	58,964	69,995
	68,443	-	-	1,552	69,995
Julie Khalid					
- as an individual	112,754	-	-	75,797	188,551
- Jessam Superannuation	4,315	-	-	117	4,432
	117,069			75,914	192,983
TOTALS	1,809,293	46,222	-	254,846	2,110,361

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

Note	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000

NOTE 6: AUDITORS' REMUNERATION

Remuneration of the auditor of the parent entity for:

- auditing or reviewing financial reports	21	18	21	18
- other services		-		-

NOTE 7: DIVIDENDS

Dividends paid

2005 proposed final fully franked ordinary dividend of 5 cents per share paid in 2006

2006 proposed final fully franked ordinary dividend of 5 cents per share paid in 2007

-	168	-	168
174	-	174	-
174	168	174	168

(a) Proposed dividends

Proposed final fully franked ordinary dividend of 2006:
5.5 cents per share franked at the tax rate of 30% (2006: 30%)

-	189	-	189
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(b) Franking account

Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax

944	686	944	652
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Subsequent to year end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:

-	(81)	-	(81)
944	605	944	571

NOTE 8: EARNINGS PER SHARE

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

Net profit used to calculate EPS

373	(107)
-----	-------

No.	No.
'000	'000

Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

3,475	3,380
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Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		Consolidated Group		Parent Entity	
	Note	2007	2006	2007	2006
		\$000	\$000	\$000	\$000

NOTE 9: CASH AND CASH EQUIVALENTS

Cash at bank and in hand		35	288	33	275
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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		35	288	33	275
Bank overdrafts	18	(98)	(154)	(98)	(154)
		(63)	134	(65)	121

NOTE 10: TRADE AND OTHER RECEIVABLES

Trade receivables		307	220	307	217
Other receivables		158	141	166	141
		465	361	473	358

(a) Related party receivables

Amounts receivable from:

- wholly owned subsidiary		-	-	-	-
- trade receivables included above	17	256	17	256	

(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 28

NOTE 11: INVENTORIES

Finished goods at cost		-	-	-	-
Land held for resale at cost					
Cost of acquisition		40	40	40	40
Development expenses capitalised		426	843	426	843
		466	883	466	883

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		Consolidated Group		Parent Entity	
	Note	2007	2006	2007	2006
		\$000	\$000	\$000	\$000

NOTE 12: OTHER CURRENT ASSETS

Prepayments	<u>67</u>	<u>77</u>	<u>67</u>	<u>76</u>
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NOTE 13: 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

Less: Impairment Provision

-	18	-	18
-	(18)	-	(18)
-	-	-	-
-	-	-	-

Total available-for sale financial assets

-	-	-	-
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NOTE 14: CONTROLLED ENTITY

	Country of Incorporation	Percentage Owned	
		2007	2006
		%	%
Parent entity:			
- Victorian Livestock Exchange Limited	Australia	-	-
Subsidiary of Victorian Livestock Exchange Limited:			
- VLE Advisory Services Pty Ltd	Australia	100	100

Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		\$000	\$000	\$000	\$000
NOTE 15: PROPERTY, PLANT AND EQUIPMENT					
LAND AND BUILDINGS					
<i>Freehold land</i>					
At directors' valuation 2005		-	4,827	-	4,827
At directors' valuation 2007		7,511	-	7,511	-
At cost		1,978	1,978	1,978	1,978
Total land		9,489	6,805	9,489	6,805
<i>Buildings</i>					
At cost		11,434	10,275	11,434	10,275
Accumulated depreciation		(2,153)	(1,834)	(2,153)	(1,834)
Total buildings		9,281	8,441	9,281	8,441
Total land and buildings		18,770	15,246	18,770	15,246
PLANT AND EQUIPMENT					
<i>Plant and equipment</i>					
At cost		1,680	1,265	1,627	1,235
Accumulated depreciation		(601)	(460)	(589)	(458)
Total plant and equipment		1,079	805	1,038	777
Total property, plant and equipment		19,849	16,051	19,808	16,023

(a) Valuation of land

The group's land was revalued at 30 June 2007 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

Buildings	265	2,322	265	2,322
Plant and equipment	-	1	-	1
Total	265	2,323	265	2,323

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		Consolidated Group		Parent Entity	
	Note	2007	2006	2007	2006
		\$000	\$000	\$000	\$000

NOTE 15: 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

Freehold Land

Carrying amount at beginning of year	6,805	6,127	6,805	6,127
Revaluation	2,684	-	2,684	-
Additions	-	678	-	678
Carrying amount at end of year	9,489	6,805	9,489	6,805

Buildings

Carrying amount at beginning of year	8,441	6,421	8,441	6,421
Additions	1,159	2,288	1,159	2,288
Depreciation expense	(319)	(268)	(319)	(268)
Carrying amount at end of year	9,281	8,441	9,281	8,441

Plant and equipment

Carrying amount at beginning of year	805	440	777	440
Additions	471	482	448	452
Disposals	(40)	-	(40)	-
Depreciation expense	(157)	(117)	(147)	(115)
Carrying amount at end of year	1,079	805	1,038	777

NOTE 16: INTANGIBLE ASSETS

Goodwill

At Cost	1,256	1,256	1,256	1,256
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Intellectual property

At Cost	180	180	180	180
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Total intangibles

	1,436	1,436	1,436	1,436
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		Consolidated Group		Parent Entity	
	Note	2007	2006	2007	2006
		\$000	\$000	\$000	\$000

NOTE 16: INTANGIBLE ASSETS (cont'd)

Movements in carrying amounts

<i>Goodwill</i>					
Balance at beginning of year		1,256	-	1,256	-
Additions		-	1,256	-	1,256
Balance at end of year		1,256	1,256	1,256	1,256

<i>Option to acquire industrial land</i>					
Balance at beginning of year		-	10	-	10
Additions		-	-	-	-
Transfer to cost of sales		-	(10)	-	(10)
Balance at end of year		-	-	-	-

Impairment Disclosures

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

Livestock Operations – Korumburra/Leongatha (refer 5(b) Operational Changes of the Directors Report for related commentary concerning the Korumburra/Leongatha operations.)		1,058	1,058	1,058	1,058
Livestock Operations – Sale		198	198	198	198
		1,256	1,256	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/Leongatha	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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

		Consolidated Group		Parent Entity	
	Note	2007	2006	2007	2006
		\$000	\$000	\$000	\$000

NOTE 17: TRADE AND OTHER PAYABLES

Unsecured liabilities

<i>Unsecured liabilities</i>				
Trade payables	359	210	356	198
Sundry payables and accrued expenses	67	248	67	266
Withholding tax payable	16	18	16	18
Goods and services tax payable	-	111	-	112
Construction costs outstanding	389	852	389	852
Employee entitlements	58	36	58	36
	889	1,475	886	1,482

(a) Related party payables

Amount payable to:

- wholly-owned subsidiary	-	-	-	18
- key management personnel related entities	11	4	11	2

(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 28

NOTE 18: BORROWINGS

CURRENT

Secured liabilities

Bank overdrafts	18c	97	154	97	154
Bank loan	18c	14	11	14	11
		111	165	111	165

NON-CURRENT

Secured liabilities

Bank loans	18c	1,639	523	1,639	523
Bills of exchange	18d	7,075	7,275	7,075	7,275
		8,714	7,798	8,714	7,798

Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated Group		Parent Entity	
Note	2007	2006	2007	2006
	\$000	\$000	\$000	\$000

NOTE 18: BORROWINGS (cont'd)

(a) Total current and non-current secured liabilities:

Bank overdraft	98	154	98	154
Bank loans	1,652	534	1,652	534
Bills of exchange	7,075	7,275	7,075	7,275
	<u>8,825</u>	<u>7,963</u>	<u>8,825</u>	<u>7,963</u>

(b) Carrying amounts of non-current assets pledged as security:

First Mortgage	16,098	15,246	16,098	15,246
Freehold land and buildings	59	31	59	31
Plant and Equipment	986	774	1,028	746
Floating charge over assets	<u>17,143</u>	<u>16,051</u>	<u>17,185</u>	<u>16,023</u>

(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 loans are secured by registered first mortgages over motor vehicles 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 19: TAX

(a) Liabilities

NON-CURRENT

Deferred tax liability comprises:

Tax allowances relating to property, plant and equipment	287	287	286	287
Revaluation adjustments taken directly to equity	2,228	1,412	2,228	1,412
Total deferred tax liability	<u>2,515</u>	<u>1,699</u>	<u>2,514</u>	<u>1,699</u>

Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		Consolidated Group		Parent Entity	
	Note	2007	2006	2007	2006
		\$000	\$000	\$000	\$000
NOTE 19: TAX (cont'd)					
(b) Assets					
CURRENT					
Current tax assets comprise					
Income Tax Refundable		255	112	246	116
Future income tax benefits attributable to tax losses		3	41	-	41
Total current tax asset		258	153	246	157
NON CURRENT					
Deferred tax assets comprise:					
Provisions		29	17	29	17
Impairment of Property Plant & Equipment		9	-	9	-
Other		15	12	15	12
Total deferred tax asset		53	29	53	29
(c) Reconciliations					
(i) Gross Movements					
The overall movement in the deferred tax account is as follows:					
Opening balance		(1,670)	(1,680)	(1,670)	(1,680)
(Charge)/credit to income statement	4	24	10	25	10
(Charge)/credit to equity		(816)	-	(816)	-
Closing balance		(2,462)	(1,670)	(2,461)	(1,670)
(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		287	283	287	283
Charged to the income statement		-	4	(1)	4
Closing balance		287	287	286	287
<i>Tangible assets revaluation taken directly to equity:</i>					
Opening Balance		1,412	1,412	1,412	1,412
Credited directly to Equity		837	-	837	-
Closing balance		2,249	1,412	2,249	1,412

Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		Consolidated Group		Parent Entity	
	Note	2007	2006	2007	2006
		\$000	\$000	\$000	\$000

NOTE 19: TAX (cont'd)

(iii) Deferred tax asset

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

<i>Provisions</i>					
Opening balance	17	10	17	10	
Charged to the income statement	12	7	12	7	
Closing balance	29	17	29	17	
 <i>Impairment of Property Plant & Equipment</i>					
Opening balance	-	-	-	-	
Additional provisions	9	-	9	-	
Closing balance	9	-	9	-	
 <i>Other</i>					
Opening balance	12	5	12	5	
Charged to the income statement	3	7	3	7	
Closing balance	15	12	15	12	

NOTE 20: PROVISIONS

<i>Provision for employee benefits</i>					
Opening balance	21	9	21	9	
Additional provisions	18	12	18	12	
Closing balance	39	21	39	21	
 <i>Analysis of total provisions</i>					
Current	35	17	35	17	
Non-current	4	4	4	4	
	39	21	39	21	

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.

Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated Group		Parent Entity	
Note	2007	2006	2007	2006
	\$000	\$000	\$000	\$000

NOTE 21: ISSUED CAPITAL

(a) Issued and paid up capital

3,527,000 (2006: 3,437,000) fully paid ordinary shares	<u>3,504</u>	<u>3,363</u>	<u>3,504</u>	<u>3,363</u>
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(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	3,437	3,351	3,437	3,351
Shares issued during the year				
- 28 February 2006		86		86
- 31 December 2006	46		46	
- 28 February 2007	<u>44</u>	<u>-</u>	<u>44</u>	<u>-</u>
At reporting date	<u>3,527</u>	<u>3,437</u>	<u>3,527</u>	<u>3,437</u>

(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 22: RESERVES

Asset revaluation reserve	5,196	3,295	5,196	3,295
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The asset revaluation reserve records revaluations of non-current assets. Under certain circumstances dividends can be declared from this reserve.

Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated Group		Parent Entity	
Note	2007	2006	2007	2006
	\$000	\$000	\$000	\$000

NOTE 23: CAPITAL AND LEASING COMMITMENTS

Operating Lease Commitments

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

Payable – minimum lease payments
- not later than 12 months
- between 12 months and 5 years

101	101	101	101
108	211	108	211
209	312	209	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 24: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Liabilities

Bank guarantee in favour of Wellington Shire Council, as per lease of Sale premises. Indexed to CPI for duration of lease

60	60	60	60
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The directors are not aware of any contingent assets in existence at balance date.

Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

	Livestock Operations		Land Subdivision		Consolidation	
	2007	2006	2007	2006	2007	2006
	\$000	\$000	\$000	\$000	\$000	\$000
Revenue						
External sales	<u>3,953</u>	<u>2,226</u>	<u>1,210</u>	<u>619</u>	<u>5,163</u>	<u>2,845</u>
Result						
Segment result	<u>498</u>	<u>112</u>	<u>693</u>	<u>147</u>	<u>1,191</u>	<u>259</u>
Finance costs					<u>(658)</u>	<u>(410)</u>
Profit (Loss) before income tax					<u>533</u>	<u>(151)</u>
Income tax benefit (expense)					<u>(160)</u>	<u>44</u>
Profit (Loss) after income tax					<u>373</u>	<u>(107)</u>
Assets						
Segment assets	<u>21,725</u>	<u>18,088</u>	<u>593</u>	<u>1,008</u>	<u>22,318</u>	<u>19,096</u>
Unallocated assets					<u>311</u>	<u>182</u>
Total assets					<u>22,629</u>	<u>19,278</u>
Liabilities						
Segment liabilities	<u>9,365</u>	<u>8,371</u>	<u>388</u>	<u>1,088</u>	<u>9,753</u>	<u>9,459</u>
Unallocated liabilities					<u>2,515</u>	<u>1,699</u>
Total liabilities					<u>12,268</u>	<u>11,158</u>
Other						
Acquisition of non-current segment assets	<u>1,631</u>	<u>4,704</u>	<u>-</u>	<u>-</u>	<u>1,631</u>	<u>4,704</u>
Depreciation and amortization of segment assets	<u>476</u>	<u>385</u>	<u>-</u>	<u>-</u>	<u>476</u>	<u>385</u>

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.

Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated Group		Parent Entity	
Note	2007	2006	2007	2006
	\$000	\$000	\$000	\$000

NOTE 25: 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 consolidated group only operates in one segment, being Australia.

NOTE 26: CASH FLOW INFORMATION

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

Profit (Loss) after income tax	364	(107)	368	(122)
Non-cash flows in profit				
Depreciation	476	385	466	383
Impairment of Assets	33		33	
Net (gain) loss on disposal of property, plant and equipment	2	(2)	2	(2)
Issue of Shares to employee	60		60	
Changes in assets and liabilities				
(Increase)/decrease in trade and term receivables	(104)	1,917	(115)	1903
(Increase)/decrease in inventories	417	(821)	417	(825)
(Increase)/decrease in deferred tax assets	(14)	(14)	(14)	(14)
(Increase)/decrease in prepayments	9	(46)	8	(45)
Increase/(decrease) in trade payables and accruals	(557)	497	(578)	514
Increase/(decrease) in income taxes payable	(104)	(680)	(88)	(670)
Increase/(decrease) in deferred taxes payable	-	4	(1)	4
Increase/(decrease) in provisions	18	25	18	25
Cash flow from operations	600	1,158	576	1,151

(b) Credit Standby Arrangements with Banks

Credit facility	7,375	7,525	7,375	7,525
Amount utilised	(7,138)	(7,429)	(7,140)	(7,429)
	237	96	235	96

Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		\$000	\$000	\$000	\$000

NOTE 26: CASH FLOW INFORMATION (cont'd)

The major facilities are summarised as follows:

Bank overdrafts

A \$300,000 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

\$7,075,000 three year variable interest rate facility provided by the Westpac Banking Corporation

(c) Loan Facilities

Loan facilities	3,060	3,034	3,060	3,034
Amount utilised	(1,653)	(534)	(1,653)	(534)
	<u>1,407</u>	<u>2,500</u>	<u>1,407</u>	<u>2,500</u>

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 7.6%.

NOTE 27: EVENTS AFTER THE BALANCE SHEET DATE

- (a) The financial report was authorised for issue on 12 September 2007 by the board of directors.

Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

		Consolidated Group		Parent Entity	
	Note	2007	2006	2007	2006
		\$000	\$000	\$000	\$000

NOTE 28: 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	32	31	32	31
Purchase of management services from Bardora Pty Ltd, of which Michael Quinert is a director	20	10	20	10
Payment of shareholder rebates to Hurstdale Pastoral Company, of which Graham Osborne is a director	1	-	1	-
Purchase of management services from Hurstdale Pastoral Company, of which Graham Osborne is a director	-	2	-	2
Payment of shareholder rebates to Everitt & Seeley Superannuation Fund, of which Michael Everitt is a trustee	-	1	-	1

Sales:

Sale of services to Everitt & Seeley Pty Ltd, of which Brian Rodwell is a director	360	173	360	172
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 29: 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 2007 approximately 84% 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 29(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 consolidated group 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 consolidated group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on classes of financial assets and financial liabilities are as follows:

Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 29: 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 2007:						
Financial assets						
Cash and cash equivalents	34	-	-	1	35	0.1
Trade and other receivables	-	-	-	465	465	N/A
Total financial assets	34	-	-	466	500	
Financial liabilities						
Trade and other payables	-	-	-	900	900	N/A
Bank overdrafts	65	-	-	-	65	10.2
Bills of exchange	-	7,075	-	-	7,075	6.5
Bank loans	1,593	14	46	-	1,653	7.6
Total financial liabilities	1,658	7,089	46	900	9,693	
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 loan	500	11	23	-	534	7.0
Total financial liabilities	654	7,286	23	1,475	9,438	

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

Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 29: 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 30: ECONOMIC DEPENDENCY

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

NOTE 31: COMPANY DETAILS

The registered office of the company is:

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

The principal places of business are:

Victorian Livestock Exchange Limited
Pakenham Saleyard
Exchange Drive
Pakenham VIC 3810

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

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

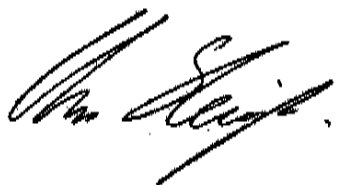
Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 8 to 39, 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 2007 and of the performance for the year ended on that date of the company and consolidated group
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. Sleight
Director

Dated this 21st day of September 2007



SINCLAIR WILSON

A u d i t S e r v i c e s

VICTORIAN LIVESTOCK EXCHANGE LIMITED
ABN: 72 078 839 031

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF VICTORIAN LIVESTOCK EXCHANGE LIMITED

Scope

We have audited the accompanying financial report of Victorian Livestock Exchange Limited and Victorian Livestock Exchange Limited and Controlled Entities, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Director's Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Audit Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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. Morris CPA
K.R. Grant CPA
S.F. Delaney CA
W.L. Promnitz Dip. FS
(Super) SSA

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
B.J. O'Connor CA
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L.A. Walther CPA
M.P. Robson CPA
K.J. Hughson CA
B.M. Levett CA
R.F. Crothers B. Ag. Sci
(Melb) Dip of Bus
L.C. O'Keefe CPA

CONSULTANTS

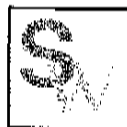
W.G. Sinclair FCPA
R.J. McMillan

PALAIS BUILDING

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BRANCHES

Camperdown
Cobden
Hamilton
Mortlake
Mt. Gambier
Port Fairy
Terang
Timboon



An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Audit Opinion

In our opinion:

- a. The financial report of Victorian Livestock Exchange Limited and Controlled Entity is in accordance with the Corporations Act 2001, including:
 - i. Giving a true and fair view of the company's and consolidated entity's financial position as at 30th June, 2007 and their performance for the year ended at that date; and
 - ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. The financial report also complies with International financial Reporting Standards as disclosed in Note 1.

Dated this 24th day of September, 2007

Felicity Melican
Partner
Sinclair Wilson
177 Koroit Street
Warrnambool VIC 3280

Victorian Livestock Exchange Limited and Controlled Entity – 2007 Annual Report

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 31 July 2007.

(a) Distribution of shareholders

The numbers 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	194,625
5,001	-	10,000	8	61,859
10,001	-	100,000	36	1,477,716
100,001	and over		9	1,789,315
			137	3,526,915

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		450,822	12.8%
2	Gold Sea Pty Ltd		319,533	9.1%
3	G. & R. Osborne		208,363	5.9%
4	C. & J. Sleigh		189,315	5.4%
5	J. Khalid		188,322	5.3%
6	Pedrobb Pty Ltd		121,592	3.5%
7	Bendigo Asset Management		104,545	3.0%
8	Tribuzi Contractors Pty Ltd		103,704	2.9%
9	Westmont Holdings Pty Ltd		103,119	2.9%
10	Harjan Pty Ltd		90,024	2.6%
			1,879,339	53.4%

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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	450,822
Gold Sea Pty Ltd	319,533
Hurstdale Pastoral Co Pty Ltd	208,363
C. & J. Sleight	189,315
J. Khalid	188,322

(d) Voting rights

All ordinary shares carry one vote per share without restriction.

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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;

Communication to Shareholders

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

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

CORPORATE GOVERNANCE STATEMENT

Audit Committee

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

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

The audit committee met on two occasions during the period ended 30 June 2007.

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 are disclosed in the annual report.

Share Trading

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

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

Monitoring Governance Performance

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