

VEALLS LIMITED

ACN 004 288 000

Registered Office

1st Floor 484 Toorak Road
Toorak Vic 3142

Postal Address

1st Floor 484 Toorak Road
Toorak Vic 3142

PH: (03) 9827-4110

FAX: (03) 9827-4112

30 September 2011

The Manager
Australian Stock Exchange
E-Lodgements

Dear Sir / Madam,

FINANCIAL REPORT

A copy of the company's Financial Report for the period ended 30 June 2011 follows.

Yours faithfully



Duncan Veall
Company Secretary

Vealls Limited

ABN 39 004 288 000



Financial Report

For the year ended 30 June 2011

Corporate Information

Capital Issued and Paid Up

Consisting of:

8,873,860

2,775,108

40,474

\$ 1,235,388

Capital shares

Income shares

7% cumulative non-participating non-redeemable Preference shares

Controlled Entities

(Incorporated in Victoria)

V.L. Finance Pty Ltd

V.L. Pastoral Pty Ltd

V.L. Investments Pty Ltd

V.L. Credits Pty Ltd

Swintons Pty Ltd

Tunrove Pty Ltd

(Incorporated in New Zealand)

Cardrona Ski Resort Ltd

Vealls (NZ) Limited

(Incorporated in Singapore)

Vealls (Singapore) Pte Ltd

Directors

Ian Raymond Veall (Executive Chairman)

Martin Charles Veall (Executive Director)

Robert Sidney Righetti (Non-executive Director)

Duncan Reginald Veall (Executive Director)

Company Secretary

Duncan Reginald Veall

Registered Office

1st Floor

484 Toorak Road

Toorak Vic 3142

Telephone 61 3 9827 4110

Facsimile 61 3 9827 4112

Share Register

Security Transfer Registrars Pty Ltd

770 Canning Highway

Applecross WA 6153

Telephone 61 8 9315 2333

Facsimile 61 8 9315 2233

Auditors

RSM Bird Cameron Partners

Chartered Accountants

Level 8

Rialto Sth Tower

525 Collins Street

Melbourne VIC 3000

Stock Exchange Listing

Australian Stock Exchange Limited

(Home Exchange: Melbourne, Vic)

Director's Report

The directors present this report on the consolidated entity of Vealls Limited in respect of the year ended 30 June 2011.

DIRECTORS

The names and details of the company's directors in office during the whole of the financial year and until the date of this report are as follows:

Ian Raymond Veall, B.Comm. (Melb.) – Executive Chairman

Age 87; Director since 1956, Managing Director 1961-1996, Chairman since 1966, 62 years experience with the company. Special responsibilities: Investments and Finance.

Martin Charles Veall, Diploma of Farm Management (Marcus Oldham College) – Executive Director.

Age 58; Director since 1989, 40 years experience in farm management. Special responsibilities: Agriculture and Forestry. Audit Committee.

Robert Sidney Righetti, Chartered Accountant – Non-executive Director.

Age 61, Director since 1996, Formerly Partner, Pannell Kerr Forster (Melbourne Partnership) Chartered Accountants, 40 years experience in accounting and auditing. Special responsibilities: Audit Committee.

Duncan Reginald Veall, B.Ec. (Monash) – Executive Director.

Age 55, Director since 1999, 22 years experience with the company. Special responsibilities: Cardrona Ski Resort (New Zealand).

COMPANY SECRETARY

Duncan Reginald Veall, B.Ec. (Monash)

Appointed 2000. 22 years experience with the company.

Interest in the shares of the company

As at the date of this report, the interests of the directors in the shares of Vealls Limited were:

	Capital Shares	Income Shares	Preference Shares
IAN RAYMOND VEALL			
Shares held in own name	155,890	-	-
Shares held in name of another entity of which he is a member or director:			
Ijack Pty Ltd	7,000,000	-	-
Shirvell Pty Ltd	-	1,364,820	-
Winmardun Pty Ltd	748,000	-	-
Farex Pty Ltd	-	589,879	-
	7,903,890	1,954,699	-
MARTIN CHARLES VEALL			
Shares held in own name	1,800	-	-
Shares held in name of another entity of which he is a member or director:			
Winmardun Pty Ltd	748,000	-	-
Farex Pty Ltd	-	589,879	-
	749,800	589,879	-

Director's Report continued

	Capital Shares	Income Shares	Preference Shares
ROBERT SIDNEY RIGHETTI			
Shares held in own name	<u>500</u>	-	-
DUNCAN REGINALD VEALL			
Shares held in own name	-	-	26,408
Shares held in name of another entity of which he is a member or director:			
Winmardun Pty Ltd	748,000	-	-
DRV Superannuation Fund	-	-	3,050
	<u>748,000</u>	-	<u>29,458</u>

PRINCIPAL ACTIVITIES

The principal activities during the year of the consolidated entity were skifield operation, agriculture, forestry and investment in real estate and negotiable securities.

1. Operations

(a) Comprehensive Income

- (i) Revenue was \$17.338m of which Cardrona Ski Resort, New Zealand was the principal contributor (81%).
- (ii) Other comprehensive income was adversely affected by the translation of foreign currency items (\$2.734m), mainly the financial statements of foreign subsidiaries and also the write down in the value of the rural property following the cessation of farming activities there (\$0.797m).

(b) Expenses

Total operating expenses increased by \$0.531m with the main increases being associated with further developments at Cardrona Ski Resort.

(c) Profit

Consolidated net profit was \$5.341m, after an income tax expense credit of \$0.812m that was mostly due to the reversal of deferred tax expense no longer required.

2. Balance Sheet

Consolidated assets totalled \$100,048m, the main items being Cash & cash equivalents (\$42.650m); Property, plant & equipment (\$37.762m) and Investment Properties (\$15.642m). Total liabilities were \$5.563m of which \$3.551m was in Trade and other payables. The figures above reflect a sound and liquid financial position, with shareholders' equity at \$94.485m.

3. Cash Flows

The statement of cash flows shows there was an increase in cash held of \$4.428m; although this was reduced by an adverse AUD/NZD exchange rate to \$3.797m.

Directors' Report continued

4. Dividends

The following final dividends for the year ended 30 June 2011 have been declared payable on 31 October 2011. The dividends will be fully franked at 30% tax rate.

	<u>Per Share</u>
• Preference shares	0.35c
• Income shares	5.00c
• Capital shares	0.50c

5. Review of Operations

(a) Skifield activities

The 2010 season at Cardrona Ski Resort, New Zealand opened as scheduled in late June. Initially, conditions were good and regular snow falls, together with snow making in high traffic areas, maintained both snow quality and cover. However, during September inclement weather conditions developed and this affected skier numbers to an extent. The NZD/AUD exchange rate at balance date (1.2953) had a negative effect on the reported results.

(b) Investment Activities

Income was derived from interest on short term deposits placed with a number of trading banks denominated mainly in AUD and NZD currencies.

Interest rates on deposits showed a small increase in AUD and NZD currencies, but in other currencies remained close to zero. Interest received for the year amounted to \$1.90m and represented an average return of about 4.5% p.a. on invested funds of AUD 42.0m.

Available-for-sale financial assets, comprising stock exchange listed shares, increased in market value by a net \$150,000 and reflected the current boom in mining stocks. Other investment possibilities remain clouded by the uncertain global financial position that still inhibits long term investment.

(c) Agricultural Activities

It being considered that the time was favourable, a decision was taken to discontinue cattle breeding at Clear Springs Station and all livestock and most of the plant and equipment were sold. The property was then placed on agistment, but the intention to sell remains.

(d) Forestry Activities

The French Oak Forest (Leyde) near Moulins, France continued to be managed under its approved plan with expected volumetric growth in the trees. The Euro/AUD exchange rate moved unfavourably during the period, such that a foreign currency translation loss of \$0.238m was recorded.

6. Significant features of Operating Performance

- (a)** Consolidated profit before tax compared with the previous year was \$0.553m higher, but this difference occurred in Other Income that in the prior year included fair value gains of \$5.800m.

Profit after tax increased by \$2.552m, mainly due to lower income tax expense from a reduction in deferred tax liabilities.

The application of Accounting Standards had a distorting effect on a number of the previous years figures.

- (b)** Interest rates on AUD and NZD deposits showed a small increase while the return on other currency deposits was practically zero. The overall return on invested funds remained low.

Directors' Report continued

- (c) The discontinuance of farming operations at Clear Springs Station was effected at an opportune time in financial terms, but there was an offset through the write down in the fair value of the property of \$0.797m that was transferred to Asset Revaluation Reserve.
- (d) The continued appreciation of the Australian dollar had adverse effects on the translation of most foreign currency items in the Statement of Comprehensive Income and Statement of Financial Position.
- (e) Cardrona Ski Resort, New Zealand operated well under favourable weather conditions for the most part and showed increased revenues and financial results in NZ dollar terms.

7. Other Financial Information

- (a) Basic and diluted earnings per ordinary share were 57.09c compared with a restated 28.40c in the previous year.

- (b) Net tangible asset backing per ordinary share was \$10.49 compared with \$10.30 in the previous year.

- (c) Returns to shareholders (cents per share)

• Preference share dividends	0.70c
• Income share dividends	9.90c
• Capital share dividend	0.50c

- (d) Statement of Retained Earnings (Consolidated)

	000's
Balance at beginning of year	\$55,520
Add – profit after tax	5,341
Less – dividends paid	(319)
Balance at end of year	\$60,542

8. Subsequent events

The 2011 ski season at Cardrona Ski Resort opened two weeks later than usual because of lack of snow. As this occurred at the time of the Australian school holidays as well, the loss of revenue was significant. Subsequently, good snow falls and snow making in high traffic areas restored conditions and operations then continued normally. It is too early to give an indication of results for the years' operation, except to say revenue has been lower than the previous year.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Within the knowledge of the directors, there are no likely developments in the operations of the consolidated entity in financial years after the financial year ended 30 June 2011 except as referred to and to be inferred from this Report.

Both Cardrona Ski Resort in New Zealand and the rural property in New South Wales are subject to weather conditions that can affect their operations for better or worse.

The directors consider at this time it is impractical to be more specific about the effects on the consolidated entity's operations and results in subsequent years.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

Directors' Report continued

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year the company paid a premium in respect of a contract insuring all directors and officers (including employees) of the company and related bodies corporate against certain liabilities stated in the contract. The contract prohibits disclosure of the nature of the liabilities insured and the amount of the premium.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

REMUNERATION REPORT

Pursuant to Section 300A Corporations Act 2001 the directors state:

Remuneration policy

- (a) There is no remuneration or appointments committee of the board, and the directors and other officers' emoluments are determined in accordance with a policy that encompasses the relevant criteria and procedures to be followed.
- (b) A director of the company, including an executive officer, is usually appointed by invitation of the board, but may be appointed otherwise by the company's shareholders in general meeting. All directors are in any case ultimately either confirmed or not confirmed to hold office by vote of the shareholders.
- (c) The board is responsible for setting the direction taken by the company in its operations and the nature of such operations; and is responsible thereafter for monitoring the results that flow from its decisions.
- (d) An executive director (officer) is additionally responsible for the management of the company's operations in accordance with the board's directives in that regard.
- (e) A non - executive director receives an emolument for serving as a director of the company and/or its subsidiaries. The emolument consists of fees, superannuation and such other benefits as may firstly be agreed between that director and the board's chairman and secondly be approved by the remaining directors. The maximum amount of directors' fees payable is limited to the amount approved by the company's shareholders.
- (f) An executive director does not receive an emolument for serving as a director, but receives an emolument for serving as an executive officer with management responsibilities. The emolument consists of salary, superannuation and such other benefits as are agreed between that director and the remaining directors.
- (g) The emolument of a director is determined by reference to the particular service to be provided to the company and/or its subsidiaries, the nature of that service, the knowledge and skill required and the time and application to the position expected of that director.
- (h) Information from external consultants will usually be sought about current market remuneration levels and conditions over a range of positions relevant to the company's operations and the particular circumstances, and this guide will also be used in determination of an emolument.
- (i) The board measures the company's performance by reference to the movement over time in the value of Shareholders' Equity as shown by the consolidated balance sheet and expressed as a dollar value per issued share; and the amounts distributed to shareholders in dividends or by other means and expressed as a dollar value per issued share.
- (j) Maintenance of such values per share would be rated an "average" performance; reductions would be rated "below average"; and an increase would be rated "above average" performances.
- (k) The performance of a non - executive director in the role of director is the determining factor in the emolument of that director.
- (l) The performance of an executive director in the dual role of director and executive officer is the determining factor in the emolument of that director.
- (m) There is no direct relationship between the emolument of a director or executive officer and the performance of the company, except over time. For example, no director or executive officer receives payment in relation to profits of the company and/or its subsidiaries; or receives the issue of shares or options to acquire shares except by entitlement thereto as a shareholder.
- (n) The company's performance in the short term at or "below average" rating may, but not necessarily will, lead to a reduction in the emolument of a director or executive officer because there are several factors that can materially affect the company's operations that are beyond the immediate control of a director or executive officer. For instance, global economic conditions, particularly interest and exchange rate movements, and weather conditions adverse to rain and snowfall. Conversely, an "above average" rating may, but not necessarily will, lead to an increase in the emolument of a director or executive officer.

Director's Report continued

- (o) On the other hand, a "below average" rating in the longer term is bound to affect the emolument of a director or executive officer in one way or another, because, unless persuasive reasons can be given to and accepted by shareholders for such a rating, it is highly likely shareholders will use their voting power to reject the directors. Conversely, an "above average" rating is highly likely to lead to an increase in the emolument of a director or executive officer.

The following table sets out the company's earnings and the consequences of the company's performance on shareholder wealth as defined by subsections 300A(1AA) and (1AB) of the Corporations Act 2001.

(a) Earnings

Year ended 30 June:	2007	2008	2009	2010	2011
Net Profit ('000's)					
Before tax	7,294	5,364	6,686	5,210	4,529
After tax	5,946	4,363	3,655	4,023	5,341

(b) Shareholder Wealth

Year ended 30 June:	2007	2008	2009	2010	2011
(1) Dividends -					
Preference shares	0.70c	0.70c	0.70c	0.70c	0.70c
Income shares	9.10c	9.30c	9.50c	9.70c	9.90c
Capital shares	0.50c	0.50c	0.50c	0.50c	0.50c
(2) Share Price *					
Preference shares	0	0	0	0	0
Income shares	0	+ 20c	-20c	+45c	-40c
Capital shares	0	- 65c	-225c	+5c	+120c

* Change in the price between beginning and end of year

DIRECTOR'S MEETINGS

The number of meetings of the board of directors and committees of the board and the number of meetings attended by each of the directors during the financial year were as follows:

	Directors'		Audit Committee	
	Number of meetings held	Meetings attended	Number of meetings held	Meetings attended
Ian Raymond Veall	9	9	-	-
Martin Charles Veall	9	6	2	2
Robert Sidney Righetti	9	8	2	2
Duncan Reginald Veall	9	6	-	-

Remuneration of directors and executive officers

Details of the nature and amount of each element of the emolument of each director of the company and each of the executive officers of the company and the consolidated entity receiving the highest emolument for the financial year are as follows:

Director's Report continued
2011

DIRECTORS	Short- term benefits		Post – employment benefits			Total
	Cash, salary and commissions	Non-cash benefits	Super-annuation	Long – term benefits	Other benefits	
	\$	\$	\$	\$	\$	\$
Ian Raymond Veall (Chairman)	46,421	-	-	1,601	-	48,022
Martin Charles Veall (Executive director)	80,000	6,720	7,403	-	1,333	95,456
Robert Sidney Righetti (Non-executive director)	30,000	-	4,042	-	-	34,042
Duncan Reginald Veall (Executive director)	91,000	2,837	9,919	-	-	103,756
	247,421	9,557	21,364	1,601	1,333	281,276

2010

DIRECTORS	Short- term benefits		Post – employment benefits			Total
	Cash, salary and commissions	Non-cash benefits	Super-annuation	Long – term benefits	Other benefits	
	\$	\$	\$	\$	\$	\$
Ian Raymond Veall (Chairman)	46,421	-	-	1,601	-	48,022
Martin Charles Veall (Executive director)	80,000	6,720	7,403	-	1,333	95,456
Robert Sidney Righetti (Non-executive director)	25,000	-	3,708	-	-	28,708
Duncan Reginald Veall (Executive director)	91,000	2,837	9,919	-	-	103,756
	242,421	9,557	21,030	1,601	1,333	275,942

Note: (a) With the exception of Mr R S Righetti who is a non-executive director, each of the abovenamed are also the only executive officers of the company and the consolidated entity.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached.

ROUNDING

The amounts contained in this report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.



Ian Raymond Veall
Executive Chairman

Melbourne, 30th September 2011

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Vealls Limited for the year ended 30 June 2011 I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

JS Croall
JS CROALL
Partner

Dated: 30 September 2011
Melbourne, Victoria

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 \$000	2010 \$000
Revenue	2	17,338	16,029
Cost of Sales		(2,073)	(1,848)
Employee benefits expense		(3,952)	(4,017)
Depreciation expense		(1,743)	(1,877)
Advertising and Promotion		(253)	(246)
Foreign exchange loss		(127)	-
Pasture improvement		(22)	(33)
Transport costs		(391)	(277)
Rates and taxes		(191)	(199)
Repairs and maintenance		(910)	(857)
Insurance		(307)	(301)
Skifield preparation & events		(1,195)	(647)
Light, power and telephone		(453)	(545)
Professional costs		(227)	(217)
Listing & share registry fees		(34)	(32)
Merchant & bank fees		(282)	(218)
Other expenses		(649)	(739)
Profit before income tax expense		4,529	3,976
Income tax expense	4	812	(1,187)
Profit after tax		5,341	2,789
Other comprehensive income:			
Fair value gains /(losses)			
- Available-for-sale financial assets		214	66
- Investment property		-	1,400
- Property, plant & equipment		(797)	4,566
- Agricultural and biological assets		-	597
- Unrealised foreign exchange loss		-	(829)
Foreign currency translation		(2,734)	248
Income tax on items of other comprehensive income		(64)	-
Total other comprehensive income for the period		(3,381)	6,048
Total Comprehensive Income for the period		1,960	8,837
 Earnings per share		57.09 cents	28.40 cents
Diluted earnings per share		57.09 cents	28.40 cents

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011**

	Note	2011 \$'000	2010 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	42,650	39,515
Trade and other receivables	8	250	304
Inventories	11	340	206
Agricultural & biological assets	9	7	1,260
TOTAL CURRENT ASSETS		43,247	41,285
NON-CURRENT ASSETS			
Investment properties	10	15,642	15,718
Available for sale financial assets	12	374	224
Property, plant and equipment	13	37,762	40,486
Deferred tax assets	16	367	96
Agricultural & biological assets	9	2,656	2,818
TOTAL NON-CURRENT ASSETS		56,801	59,342
TOTAL ASSETS		100,048	100,627
CURRENT LIABILITIES			
Trade and other payables	15	3,551	3,753
Current tax liabilities		643	693
Provisions	17	254	267
TOTAL CURRENT LIABILITIES		4,448	4,713
NON-CURRENT LIABILITIES			
Trade and other payables	15	247	188
Deferred tax liabilities	16	835	2,882
Provisions	17	33	-
TOTAL NON-CURRENT LIABILITIES		1,115	3,070
TOTAL LIABILITIES		5,563	7,783
NET ASSETS		94,485	92,844
EQUITY			
Issued capital	18	1,235	1,235
Reserves		32,708	36,089
Retained earnings		60,542	55,520
TOTAL EQUITY		94,485	92,844

The accompanying notes form part of these financial statements.

Vealls Limited ABN 39 004 288 000

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2011**

	Share Capital \$'000	Retained Profits \$'000	General Reserve \$'000	Asset Replacement Reserve \$'000	Asset Revaluation Reserve \$'000	Asset Realisation Reserve \$'000	Foreign Currency Translation \$'000	Total \$'000
Balance at 1 July 2009	1,235	51,811	5,981	4,619	10,948	11,992	(2,265)	84,321
Profit for the period	-	2,789	-	-	-	-	-	2,789
Other comprehensive income	-	1,234	-	-	4,566	-	248	6,048
Total comprehensive income for the period	-	4,023	-	-	4,566	-	248	8,837
Dividends paid	-	(314)	-	-	-	-	-	(314)
Balance at 30 June 2010	1,235	55,520	5,981	4,619	15,514	11,992	(2,017)	92,844
Profit for the period	-	5,341	-	-	-	-	-	5,341
Other comprehensive income	-	-	-	-	(647)	-	(2,734)	(3,381)
Total comprehensive income for the period	-	5,341	-	-	(647)	-	(2,734)	1,960
Dividends paid	-	(319)	-	-	-	-	-	(319)
Balance at 30 June 2011	1,235	60,542	5,981	4,619	14,867	11,992	(4,751)	94,485

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011**

	2011 \$'000	2010 \$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of GST)	16,966	15,788
Payments to suppliers and employees (inclusive of GST)	(11,248)	(10,092)
Income tax paid	(1,556)	(3,242)
Net cash provided by operating activities	<u>4,162</u>	<u>2,454</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,900	1,656
Dividends received	3	1
Purchase of Property, plant and equipment	(1,356)	(2,330)
Proceeds from sale of Property plant and equipment	38	4,743
Proceeds from sale of available-for-sale investments	-	36
Net cash provided by (used in) investing activities	<u>585</u>	<u>4,106</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(319)	(314)
Net cash provided by (used in) financing activities	<u>(319)</u>	<u>(314)</u>
Net (decrease) / increase in cash held	4,428	6,246
Cash and cash equivalents at beginning of year	39,515	33,958
Effects of exchange rate changes on cash	(1,293)	(689)
Cash and cash equivalents at end of year	<u>42,650</u>	<u>39,515</u>

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

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, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated entity of Vealls Limited and the entities it controlled during the year. Vealls Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Vealls Limited complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated. The financial statements were authorised for issue on 30th September 2010.

Basis of Preparation

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

Changes in accounting policy and disclosures:

The Group has adopted the following new and amended Accounting Standards and AASB Interpretations as of 1 July 2010

- AASB 5 Disclosures in relation to non-current assets (or disposal groups) classified as held for sale or discontinued operations, effective 1 July 2010.
- AASB 8 Disclosure of information about segment assets, effective 1 July 2010.
- AASB 107 Classification of expenditure that does not give rise to an asset, effective 1 July 2010.
- AASB 117 Classification of leases of land, effective 1 July 2010.
- AASB 2009 -10 Amendments to Australian Accounting Standards arising from the Annual Improvements Project, effective 1 July 2010.

The Group has not determined the impact of these standards, however most changes will only affect the presentation of the financial statements and disclosures within. Any impact on recognition and measurement is expected to be immaterial.

Accounting Policies

a. Principles of Consolidation

A controlled entity is any entity Vealls Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 14 to the financial statements. All controlled entities have a 30 June financial year-end.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date 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 disallowable items. It is calculated using tax rates that have been enacted or are substantively enacted as at the end of the reporting period.

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 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 taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Vealls Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation legalisation. Each entity in the group recognises its own current and deferred tax liabilities as a separate tax payer within the group, except for any deferred tax assets resulting from unused tax losses and tax credits which are immediately assumed by the parent entity. The current tax liability and tax loss of each entity is assumed by the parent entity. The group notified the ATO that it had formed an income tax consolidated group to apply from 1 July 2002.

c. Inventories

Inventories are measured at the lower of cost or net realisable value.

d. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each group entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in other comprehensive income as a qualifying cash flow or net investment hedge.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, the exchange component of that gain or loss shall be recognised directly in other comprehensive income, otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.

Income and expenses are translated at average exchange rates for the period.

Retained earnings are translated at exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are recognised directly in the group's foreign currency translation reserve in other comprehensive income. These differences are recognised in profit or loss in the period when an operation is disposed.

e. Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

f. Agricultural Assets

Agricultural assets are measured at their fair value less point-of-sale costs on initial recognition and at each reporting date. Fair value of cattle and mixed age forest timber is determined at current market price but for immature plantation timber, for which there is no active liquid market, it is an expert valuer's estimate of the net present value of expected future cash flows discounted at a risk adjusted interest rate. The aggregate gain or loss arising on initial recognition and from changes in fair value less estimated point of sale costs is recognised as income or expense of the period.

g. 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 annual valuations by the directors or external independent valuers.

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 re-valued amount of the asset.

A revaluation increment is credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recorded in profit or loss.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

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 as the higher of fair value less costs to sell and value in use. Value in use is determined on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the consolidated entity 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 lives of the improvements.

Major depreciation periods are:	30 June 2011	30 June 2010
Freehold buildings	40 years	40 years
Plant and equipment	5 to 15 years	5 to 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 profit or loss. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

h. Financial Instruments

Recognition

Financial instruments are initially measured at fair value on trade date, net of transaction costs, other than financial assets measured at fair value through profit or loss, which are measured at fair value, 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 or 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: Financial Instruments: Recognition and Measurement. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in profit or loss 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 and financial assets that have been designated as available-for-sale investments. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to other comprehensive income.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value

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

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged or significant decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

i. 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 statement of comprehensive income.

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.

j. Asset replacement reserve

Amounts set aside from retained profits to this reserve provide for the escalating costs of replacing certain items of plant and equipment employed in the ski field operations.

k. Asset realisation reserve

Amounts of previous revaluation increments are transferred from asset revaluation reserve to asset realisation reserve in respect to disposals in the current period for non-current assets.

l. 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.

m. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to reporting 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. Employee benefits that are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

n. Investment property

Investment properties comprise interests in land and buildings, held for the purpose of long term capital growth. Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the investment properties are stated at fair value. Fair value is determined by reference to valuations carried out at each reporting date. These valuations take the form of either a director's valuation or independent valuation (which are carried out at least every 3 years). The fair value model is determined as the amount the investment properties would be sold in an arms length transaction between willing and knowledgeable parties. Gains and losses arising from changes in fair value are recognised in the statement of comprehensive income in the period they arise.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

p. 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 of sale.

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

q. 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 relevant taxation authority. 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 balance sheet are shown inclusive of GST.

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

r. Comparative Figures

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

s. Rounding of Amounts

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

t. Critical Accounting Estimates and Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

These significant judgements and estimates are as follows:

(a) Significant accounting judgements

In the process of applying accounting policies the directors and management make various judgements that can significantly affect the amounts recognised in the financial report.

(1) Classification of assets and liabilities:

Assessment is made of the appropriate classification of each group of assets and liabilities into current and non-current and the appropriate descriptions of the items in each such classification.

(2) Impairment of assets:

Assessment is made of all the assets at each reporting date to determine that their carrying value is not in excess of their estimated recoverable amount.

(3) Taxation:

Assessment is made of the types of arrangement considered to be a tax on income and whether deferred tax assets and deferred tax liabilities are correctly recognised in the statement of financial position, with movements therein reflected in income tax expense for the reporting period.

(b) Significant accounting estimates and assumptions

(1) Estimation of useful life of assets:

Estimation of useful life of assets is based on historical experience and forecast trends that may affect their economic operation in the future. Adjustments to useful lives are made as and when necessary.

(2) Valuation of Investments:

Investments in listed and unlisted securities are categorised as available-for-sale financial assets, and Land and Buildings. All investments are carried at fair value determined by an independent valuer (at least every three years) or by the director's estimate of fair value at other times after consultation with knowledgeable parties.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 2: REVENUE	2011 \$'000	2010 \$'000
(a) Revenue		
— sale of goods	4,119	1,982
— from services	11,185	12,236
Total	15,304	14,218
(b) Other Revenue		
— Interest	1900	1,655
— Dividends	3	2
— Rental	17	28
— Sundry	49	126
Total	1,969	1,811
Total Revenue	17,273	16,029
(c) Other Income		
— Net gain on foreign exchange	40	-
— Net gain on disposal of Property Plant & Equipment	25	-
Total Other Income	65	-
Total Revenue and Other Income	17,338	16,029

NOTE 3: OTHER ITEMS

(a) Expenses		
Cost of sales	2,073	1,848
Rental expense on operating leases – Minimum lease payments	80	94
Depreciation of non-current assets		
Plant and equipment	1,378	1,496
Buildings	365	381
Total depreciation	1,743	1,877

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	2011 \$'000	2010 \$'000
NOTE 4: INCOME TAX EXPENSE		
(a) Income tax expense (credit)		
- Current income tax	1,524	1,237
- Deferred income tax	(2,338)	(42)
- Tax under (over) provided in prior years	2	(8)
	<hr/> (812)	<hr/> 1,187
(b) Deferred income tax charged directly to equity		
- Unrealised gain on available-for-sale assets	64	-
	<hr/> 64	<hr/> -
(c) Reconciliation between tax expense (credit) and accounting profit before tax multiplied by applicable tax rates		
Accounting profit before tax	4,529	5,210
Income tax at statutory rates	1,377	1,563
- Foreign tax adjustment	(127)	(111)
- Foreign exchange and other translation adjustments	(19)	(221)
- Other	5	7
	<hr/> 1,236	<hr/> 1,238
Under (over) provisions in prior years	(2,048)	(51)
Income tax expense/(credit)	<hr/> (812)	<hr/> 1,187

During the year the operations of Cardrona Skifield in New Zealand were transferred from Cardrona Ski Resort Limited to Vealls (Singapore) Pte Ltd, both wholly owned subsidiaries of the company, as part of an internal reorganisation of their functions.

Aspects of the transaction involved were complex and included, in particular, the incidence of tax. It is possible that material income tax expense could be incurred, in which case there would be a reduction in the net income and shareholders' equity of the company.

The directors, however, consider such a result unlikely and accordingly no adjustment has been made in the financial statements to reflect such an eventuality.

NOTE 5: COMPENSATION FOR KEY MANAGEMENT PERSONNEL		
	2011 \$'000	2010 \$'000
Short-term benefits	227	252
Long-term benefits	20	24
Total Compensation	<hr/> 247	<hr/> 276

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	2011 \$'000	2010 \$'000
NOTE 6: DIVIDENDS		
Distributions paid		
Previous year final dividend paid on 29 October 2010:		
i) Fully franked dividend on preference shares of 0.35 cents per share (2009: unfranked 0.35 cents per share)	1	1
ii) Fully franked dividend on income shares of 4.90 cents per share (2009: unfranked 4.80 cents per share)	136	132
iii) Fully franked dividend on capital shares of 0.50 cents per share (2009: unfranked 0.50 cents per share)	44	44
	181	178
Current year interim dividend paid on 29 April 2011:		
i) Fully franked dividend on preference shares of 0.35 cents per share (2010: unfranked 0.35 cents per share)	1	1
ii) Fully franked dividend on income shares of 5.00 cents per share (2010: unfranked 4.90 cents per share)	137	136
	138	137
Total dividends	319	315
Dividends proposed but not recognised as a liability payable:		
i) Fully franked dividend on preference shares of 0.35 cents per share (2010: unfranked 0.35 cents per share)	1	1
ii) Fully franked dividend on income shares of 5.00 cents per share (2010: unfranked 4.90 cents per share)	138	136
iii) Fully franked dividend on capital shares of 0.50 cents per share (2010: unfranked 0.50 cents per share)	44	44
	183	181
Franking credit balance		
	2011	2010
	\$'000	\$'000
The amount of franking credits available for the subsequent financial year are:		
• Franking account balance at the beginning of the financial year	2,813	2,812
• Franking credits from the payment of income tax during the financial year.	459	59
• Franking debits from the payment of dividends during the financial year.	(137)	(58)
• Franking account balance at the end of the financial year	3,135	2,813
The amount of franking credits available for future reporting periods:		
• Impact on the franking account of dividends declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period.	(79)	(78)
Tax Rates: Tax rates at which the paid dividends have been franked is 30%		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	2011 \$'000	2010 \$'000
NOTE 7: CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	2,545	709
Short-term bank deposits	40,105	38,806
Total	42,650	39,515
Reconciliation to cash flow statement	42,650	39,515
NOTE 8: TRADE AND OTHER RECEIVABLES		
Current Assets		
Sundry receivables	25	36
Goods and services tax	218	250
Prepayments	7	18
Total	250	304
NOTE 9: AGRICULTURAL AND BIOLOGICAL ASSETS		
Current Assets		
Cattle - at fair value	7	1,260
Non Current Assets		
Standing timber – at fair value (foret de Leyde – Moulins, France)	2,656	2,818
NOTE 10: INVESTMENT PROPERTIES		
Non Current Assets		
(a) Freehold Land (Mt Martha, Vic) – at fair value		
Opening Balance at 1 July 2010	14,400	13,000
Net gain(loss) on revaluation	-	1,400
Closing Balance at 30 June 2011	14,400	14,400
(b) Freehold land and buildings (France) – at fair value		
Opening Balance at 1 July 2010	1,318	1,600
Net gain(loss) on revaluation	(76)	(282)
Closing Balance at 30 June 2011	1,242	1,318
Totals	15,642	15,718

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	2011 \$'000	2010 \$'000
NOTE 11: INVENTORIES		
Current		
Ski field merchandise – at cost	340	206
	340	206

NOTE 12: AVAILABLE FOR SALE FINANCIAL ASSETS

Non Current Assets

(a) Listed shares – at fair value	373	223
The fair value has been determined by reference to Stock Exchange published quotations		
(b) Unlisted shares – at fair value		
Face value of co-operative shares	1	1
Total	374	224

NOTE 13: PROPERTY PLANT & EQUIPMENT

Non Current Assets

	Freehold Land \$'000	Buildings \$'000	Plant & Equipment \$'000	Total \$'000
At 30 June 2011				
Cost or fair value	13,903	11,607	19,446	44,956
Accumulated depreciation	-	(323)	(6,871)	(7,194)
Net carrying amount	13,903	11,284	12,575	37,762

Reconciliation of carrying amounts:

Balance 1 July 2010	15,120	12,106	13,260	40,486
Additions	-	-	1,356	1,356
Disposals	-	-	(13)	(13)
Revaluations	(797)	-	-	(797)
Exchange differences	(420)	(457)	(650)	(1,527)
Depreciation charges	-	(365)	(1,378)	(1,743)
At 30 June 2011	13,903	11,284	12,575	37,762

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 13: PROPERTY PLANT & EQUIPMENT (continued)

Non Current Assets

	Freehold Land \$'000	Buildings \$'000	Plant & Equipment \$'000	Total \$'000
At 30 June 2010				
Cost or fair value	15,120	12,226	19,699	47,045
Accumulated depreciation	-	(120)	(6,439)	(6,559)
Net carrying amount	15,120	12,106	13,260	40,486

Reconciliation of carrying amounts:

Balance 1 July 2009	9,314	12,540	13,286	35,140
Additions	-	306	2,024	2,330
Disposals	-	-	(70)	(70)
Revaluations	5,772	(507)	(692)	4,573
Exchange differences	34	148	208	390
Depreciation charges	-	(381)	(1,496)	(1,877)
At 30 June 2010	15,120	12,106	13,260	40,486

NOTE 14: CONTROLLED ENTITIES

(a) Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)*	
<i>Parent Entity:</i>		2011	2010
Vealls Limited	Australia	-	-
<i>Subsidiaries of Vealls Limited:</i>			
Swintons Proprietary Limited	Australia	100	100
VL Finance Pty Ltd	Australia	100	100
VL Credit Proprietary Limited	Australia	100	100
VL Investments Pty Ltd	Australia	100	100
Tunrove Pty Ltd	Australia	100	100
VL Pastoral Pty Ltd	Australia	100	100
Cardrona Ski Resort Limited	New Zealand	100	100
Vealls (NZ) Limited	New Zealand	100	100
Vealls (Singapore) Pte Ltd	Singapore	100	100

* Percentage of voting power in proportion to ownership

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	2011 \$'000	2010 \$'000
NOTE 15: TRADE AND OTHER PAYABLES		
Current Liabilities		
Trade payables	1,374	1,331
Other payables	2,177	2,422
Total	3,551	3,753
Non Current Liabilities		
Trade payables	247	188
Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.		
NOTE 16: DEFERRED TAX		
(a) Deferred Tax Assets		
Provisions		
Annual leave	41	32
Long service leave	47	64
Carry forward tax loss	279	-
Total	367	96
Movements		
Balance 1 July 2010	96	92
Credited (Charged) to income	271	4
Balance 30 June 2011	367	96
(b) Deferred Tax Liabilities		
Investments	95	85
Agricultural & biological assets	(26)	208
Property plant & equipment	766	2,589
Total	835	2,882
Movements		
Balance 1 July 2010	2,882	2,920
Credited (Charged) to income	(2,047)	(38)
Balance 30 June 2011	835	2,882

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 17: PROVISIONS	2011 \$'000	2010 \$'000
Current Liabilities		
Annual leave	76	53
Long service leave	178	214
Total	254	267
Non Current Liabilities		
Long service leave	33	-
Total	33	-

NOTE 18: ISSUED CAPITAL

40,474 (2010: 40,474) fully paid preference shares	4	4
2,775,108 (2010: 2,775,108) fully paid income shares	344	344
8,873,860 (2010: 8,873,860) fully paid capital shares	887	887
	1,235	1,235

	2011	2010
	No.	No.
(a) Preference shares		
At the beginning and end of period	40,474	40,474

Dividends: Preference shareholders are entitled to receive a fixed cumulative preferential dividend of 7% p.a. on paid up capital.

Winding-up: Preference shareholders are entitled to repayment of the capital paid up on preference shares in priority to all other shareholders.

	2011	2010
	No.	No.
(b) Income shares		
At the beginning and end of period	2,775,108	2,775,108

Dividends: Income shareholders are entitled to receive dividends as declared in priority to dividends being paid on Capital shares.

Winding-up: Income shareholders are entitled to repayment of the capital paid up on income shares and an additional amount of 40c per share in priority to any repayment of capital shares.

	2011	2010
	No.	No.
(c) Capital shares		
At the beginning and end of period	8,873,860	8,873,860

Dividends: Capital shareholders are entitled to receive dividends as declared.

Winding-up: Capital shareholders are entitled to repayment of the capital paid up on capital shares and all surplus assets.

- (d) Capital Management**
 Management's objective is to ensure that the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.
 There was no gearing ratio as at 30 June 2011 and 2010 as there were no external loans or borrowings.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	\$	\$
NOTE 19: AUDITORS' REMUNERATION		
Remuneration of the auditor of the parent entity for:		
• auditing or reviewing the financial report	45,600	38,000
Remuneration of other auditors of subsidiaries for:		
• auditing or reviewing the financial report of subsidiaries	16,400	19,800
	62,000	57,800

NOTE 20: RESERVES

(a) Asset Revaluation Reserve

The asset revaluation reserve records increases and decreases in the fair value of non-current assets to the extent they offset one another. The reserve can only be used to pay dividends in limited circumstances.

(b) General Reserve

The general reserve records funds set aside for future expansion of the consolidated entity. The reserve contains sums prudentially appropriated from profits. It is available to pay dividends or anything else payable from retained earnings.

(c) Asset Replacement Reserve

The asset replacement reserve is used to accumulate sums necessary to meet the cost of replacing Skifield capital equipment when required. It may be used to pay dividends or issue bonus shares.

(d) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of the financial statements of foreign subsidiaries.

(e) Asset Realisation Reserve

The asset realisation reserve records realised gains on the sale of non-current assets.

NOTE 21: EARNINGS PER SHARE	2011	2010
	\$'000	\$'000
Reconciliation of earnings to profit		
Profit after tax	5,341	2,789
Preference & Income share dividends	(275)	(269)
Earnings used to calculate basic and diluted earnings per share	5,066	2,520
	2011	2010
	No. of shares	No. of shares
Weighted average numbers of shares used in calculating basic and diluted earnings per share (capital shares)	8,873,860	8,873,860
	8,873,860	8,873,860
Earnings per capital share	57.09 cents	28.40 cents

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 22: CAPITAL AND LEASING COMMITMENTS	2011 \$'000	2010 \$'000
(a) 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	33	24
—between 12 months and 5 years	-	-
Total	33	24
(b) Capital Expenditure Commitments		
Capital expenditure commitments contracted for:		
- payable not later than 12 months	12	8
Total	12	8
NOTE 23: CASH FLOW INFORMATION		
(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit after Income tax	5,341	4,023
Non-cash flows in profit		
Depreciation	1,743	1,877
Net (gain) / loss on disposal of property, plant and equipment	(25)	-
Net foreign currency losses	86	829
Decrement / (increment) in net market value of agricultural and biological assets	-	(597)
Movement in net market value of investment property	76	(1,400)
Movement in market value of available-for-sale financial assets	-	(66)
Dividend / Interest income classified as investing activities	(1,903)	(1,657)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	54	(101)
(Increase)/decrease in agricultural assets	1,415	1,160
(Increase)/decrease in inventories	(134)	9
Increase/(decrease) in trade payables and other payables	(143)	421
Increase/(decrease) in tax balances	(2,368)	(2,055)
Increase/(decrease) in provisions	20	11
Net cash from operating activities	4,162	2,454

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 24: SEGMENT INFORMATION

Identification of reportable segments.

The Group has identified its operating segments based on internal reports used by management and the Board of Directors in assessing performance and in determining the allocation of resources. The reportable segments are based on aggregated operating segments determined by the nature of the principle activities being undertaken – namely, skifield, investment and agriculture.

Description of each segment.

Skifield.

The skifield business is operated by Cardrona Alpine Resort in the South Island of New Zealand, between Wanaka and Queenstown.

Investment.

The investment business comprises interest bearing deposits, listed shares and freehold land at Mt Martha Vic. and near Moulins, France.

Agriculture.

The agricultural business is based at the Clear Springs Station near Jingellic NSW, and forestry in France.

Major Customers

The Group does not have any one customer which it provides products and services amounting to more than 10% of the Group revenue.

Accounting Policies

The table below represents revenue and profit information for reportable segments for the year ended 30 June 2011 and 2010.

Segment revenue and expenses are those directly attributable to the segment. Segment assets include all assets used by a segment and consist principally of cash, receivables, term deposits and property, plant and equipment, net of allowances and accumulated depreciation. Segment liabilities consist principally of payables and employee benefits.

Revenue from external customers by geographical locations is detailed below. Revenue is attributed to geographic location based on the location of the assets.

Revenue by geographic locations	2011 \$'000	2010 \$'000
From outside Australia	14,221	13,679
From inside Australia	3,117	2,350
	17,338	16,029

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

30 June 2011

	Skifield \$'000	Investments \$'000	Agriculture \$'000	Total \$'000
Segment Revenue				
Sales to external customers	13,111	-	2,193	15,304
Other revenue	892	1,023	119	2,034
Total segment revenue	14,003	1,023	2,312	17,338

Segment net operating profit before tax	3,325	425	779	4,529
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ASSETS

Segment assets	35,935	54,895	9,218	100,048
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LIABILITIES

Segment liabilities	2,559	1,747	1,257	5,563
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Interest received	844	972	84	1,900
Depreciation	(1,715)	-	(28)	(1,743)
Fair value gains (losses)	-	150	(797)	(647)
Foreign currency translation gains (losses)	(1,517)	(1,293)	76	(2,734)
Income tax expense (credit)	(433)	(156)	(223)	(812)

30 June 2010

	Skifield \$'000	Investments \$'000	Agriculture \$'000	Total \$'000
Segment Revenue				
Sales to external customers	13,140	-	1,078	14,218
Other revenue	324	1,058	429	1,811
Total segment revenue	13,464	1,058	1,507	16,029

Segment net operating profit before tax	3,294	369	313	3,976
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ASSETS

Segment assets	36,407	53,246	10,974	100,627
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LIABILITIES

Segment liabilities	5,527	381	1,875	7,783
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

30 June 2010 continued	Skiffield \$'000	Investments \$'000	Agriculture \$'000	Total \$'000
Interest Received	188	1,057	410	1,655
Depreciation	(1,845)	-	(32)	(1,877)
Fair value gains	-	1,519	544	2,063
Unrealised foreign exchange gains (losses)	98	(927)	-	(829)
Income tax expense	(954)	47	(280)	(1,187)

NOTE 25: 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.

a) Transactions with related parties

	2011 \$'000	2010 \$'000
- Advances paid by parent entity to subsidiary		-
- Advances from subsidiary to parent entity	7,735	14,275

b) Key management personnel equity holdings

	Balance as at 30/6/11	Balance as at 30/ 6/10
Fully paid capital shares of Vealls Limited	No.	No.
Specified Directors		
Ian Raymond Veall	7,903,890	7,903,890
Martin Charles Veall	749,800	749,800
Robert Sidney Righetti	500	500
Duncan Reginald Veall	748,000	748,000
	<hr/> 9,402,190	<hr/> 9,402,190
Fully paid income shares of Vealls Limited	No.	No.
Specified Directors		
Ian Raymond Veall	1,954,699	1,954,699
Martin Charles Veall	589,879	589,879
Robert Sidney Righetti	-	-
Duncan Reginald Veall	-	-
	<hr/> 2,544,578	<hr/> 2,544,578
Fully paid preference shares of Vealls Limited	No.	No.
Specified Directors		
Ian Raymond Veall	-	-
Martin Charles Veall	-	-
Robert Sidney Righetti	-	-
Duncan Reginald Veall	29,458	29,258
	<hr/> 29,458	<hr/> 29,258

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 26: FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, investments, accounts receivable and payable.

Financial Risks

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk.

(i) Interest Rate Risk

Interest rate risk arises from the consolidated entity's short term bank deposits at variable interest rates denominated in AUD, NZD, USD and SGD.

No hedging or derivatives are used and all movements are reflected directly in profit or loss.

During the year deposit interest rates per centum per annum varied between –

AUD	NZD	USD	SGD
5.75% - 4.75%	4.60% - 4.30%	0.23% - 0.04%	0.33% - 0.04%

At 30 June 2011 short term bank deposits in AUD functional currency totalled \$40.105m.

A movement of +/- 1% in deposit interest rates would amount to \$401,000 per annum in Interest Received/Receivable.

(ii) Foreign Currency risk

Foreign exchange risk arises when transactions are denominated in a currency that is not the consolidated entity's functional currency. This risk is minimal as there are few translations of little value.

The translation of the income statement of foreign subsidiary companies directly affects their operating results in AUD terms. Similarly, the translation of the assets and liabilities of such companies is reflected in Equity (Foreign Currency Translation Reserve).

While there is an exposure to foreign currencies and their effects through movements in the A\$ exchange rate, in particular against NZD, so long as there are foreign subsidiary companies' operations, no sensitivity analysis of movements in FX rates is considered meaningful.

(iii) Liquidity Risk

Analysis of financial assets and liabilities.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Financial assets and liabilities show a ratio of 11:1 and thereby provide adequate liquidity to cover the Group's present and future operations.

	2011 \$'000	2010 \$'000
Year ended 30 June	Within 6 Months	Within 6 Months
Financial Assets		
Cash and cash equivalents	42,650	39,515
Trade & other receivables	250	304
Available- for-sale financial assets	374	224
Total	43,274	40,043
Financial liabilities		
Trade and other payables	3,798	3,941
Total	3,798	3,941
Net difference:	39,476	36,102

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 26 : FINANCIAL INSTRUMENTS (Continued)

(iv) Credit Risk

Credit risk arises from the potential default of the counter parties to the consolidated entity's deposits and trade and other receivables.

All deposits are placed with major trading banks of high rating and all credit customers are assessed on the basis of their financial position, past experience and industry reputation. Limits are set for each individual customer and regularly monitored.

(b) Fair Values

The Group uses various methods in estimating the fair value of a financial instrument designated or measured at fair value. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value of estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either (as prices) or indirectly (derived from prices).

Level 3 – the fair is estimated using inputs for the asset or liability that are not based on observable market data.

The fair values of financial assets and liabilities that are not designated at fair value approximate their carrying values.

The fair value of the financial instruments as well as the methods used to estimate the fair value is summarised in the table below:

The fair values of listed investments have been valued at the quoted market bid price at reporting date.

2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Listed shares	373	-	-	373
Shares in other corporations	-	-	1	1
Total	373	-	1	374

There has been no Level 3 fair value movement during the year.

2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Listed shares	223	-	-	223
Shares in other corporations	-	-	1	1
Total	223	-	1	224

There has been no Level 3 fair value movement during the year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 27 : PARENT ENTITY INFORMATION

Information relating to Vealls Limited:	2011 \$'000	2010 \$'000
Current Assets	1,981	26,277
Total Assets	61,735	68,675
Current Liabilities	117	289
Total Liabilities	54,955	61,674
Issued Capital	1,235	1,235
Assets Revaluation Reserve	895	745
General Reserve	987	987
Foreign Currency Translation Reserve	(238)	-
Retained Earnings	3,901	4,034
Total Shareholders' equity	6,780	7,001
Profit of the parent entity	186	1,428
Total comprehensive income of the parent entity	98	1,428

NOTE 28: SUBSEQUENT EVENTS

In the opinion of the directors there has not arisen since the end of the financial year any matter or circumstance that has significantly affected or may significantly affect the operations of the consolidated entity or the results of those operations or the state of affairs of the consolidated entity in financial years after the financial year ended 30 June 2011 except for the following:

The 2011 ski season at Cardrona Ski Resort opened two weeks later than usual because of lack of snow. As this occurred at the time of the Australian school holidays as well, the loss of revenue was significant.

Subsequently, good snow falls and snow making restored conditions and operations have continued normally since.

It is too early to forecast the results for the year's operations.

NOTE 29: COMPANY DETAILS

The registered office of the company is:

Vealls Limited
1st Floor, 484 Toorak Road
Toorak, Vic 3142

The principal place of business is:

Vealls Limited
1st Floor, 484 Toorak Road
Toorak, Vic 3142

DIRECTORS' DECLARATION

- (1) In the opinion of the directors of Vealls Limited -
 - (a) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
 - (b) The financial statements and notes thereto for the year ended 30 June 2011 are in accordance with the Corporations Act 2001, including;
 - (i) Section 296 (compliance with accounting standards); and
 - (ii) Section 297 (true and fair view)
- (2) The directors have been given the declarations required by section 295A of the Corporations Act 2001 for the year ended 30 June 2011.

This declaration is made in accordance with a resolution of the directors.



Ian Raymond Veall
Executive Chairman

Melbourne, 30th September 2011

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
VEALLS LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Vealls Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's 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 about 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 judgement, 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. 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.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Vealls Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Vealls Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 4 in the financial report which describes an uncertainty related to the potential additional income tax that could be incurred as a result of the transfer of the Cardrona Skifield between the company's subsidiaries.

Report on the Remuneration Report

We have audited the Remuneration Report included in directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

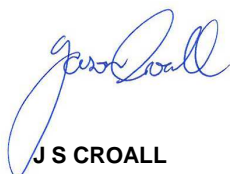
Auditor's Opinion

In our opinion the Remuneration Report of Vealls Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

Chartered Accountants



J S CROALL

Partner

Dated: 30 September 2011
Melbourne, Victoria