

# **Vet Biotechnology Ltd**



Vet Biotechnology Limited  
ACN 105 577 017

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ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2005

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Vet Biotechnology Limited  
ACN 105 577 017

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CORPORATE DIRECTORY

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Board of Directors

Douglas Peter LeMessurier  
Lusia Halina Guthrie  
Paul Andrew Mariani  
Paul Lawrence Kerr

General Manager

Hugo Frederick LeMessurier

Company Secretary

Paul James Mansfield

Registered Office

253 Sturt Street  
ADELAIDE SA 5000

Share Register

ASX Perpetual Registrars  
Level 22  
300 Queen Street  
BRISBANE QLD 4000

Accountants

MSI Tilley  
253 Sturt Street  
ADELAIDE SA 5000

Auditors

HLB Mann Judd Stephens (S.A.)  
82 Fullarton Road  
NORWOOD SA 5067

**CHAIRMAN'S LETTER**

Dear Fellow Shareholder

It is with pleasure I present the 2005 Annual Report for Vet Biotechnology Limited.

During the 2005 financial year your company has continued its path encouraging research for veterinary products.

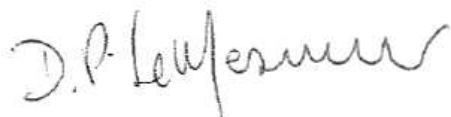
Vet Biotechnology Limited listed on the Newcastle Stock Exchange late 2004 and has been trading since.

The board has a policy of contacting shareholders regularly on the progress of our research.

With the ongoing rattles and horse breath test providing some interest. We look forward to further advising shareholders in the future of any outcomes of our research.

The company continued its application for regulatory approval of its ligament and tendon repair process.

I take this opportunity to thank the management, directors and shareholders for their contribution this financial year.



D P LeMessurier

Chairman

6 September 2005

Vet Biotechnology Limited  
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FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2005

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VET BIOTECHNOLOGY LIMITED  
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FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2005

**VET BIOTECHNOLOGY LIMITED**  
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**CORPORATE GOVERNANCE STATEMENT**

The Board of Directors of Vet Biotechnology Limited is responsible for the corporate governance of the company. The Board guides and monitors the business and affairs of Vet Biotechnology Limited on behalf of the members to whom they are accountable.

To ensure the Board is well equipped to discharge its responsibilities it has established corporate governance guidelines 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 shall constitute not less than three (3) nor more than ten (10) Directors, all being natural persons.
- one third of directors shall be elected by the members at an annual general meeting and will themselves be members throughout their term; such term expiring at the conclusion of the second annual general meeting of the company after the annual general meeting at which the directors were elected. Retiring directors are eligible for re-election.
- the Board may after each annual general meeting appoint as directors up to three (3) other persons, the first two (2) of whom shall not be members of the company. Such appointed directors shall hold office until the conclusion of the next annual general meeting of the company and shall be eligible for reappointment.
- the Board has the power to appoint any other qualified person as a director to fill a casual vacancy or as an addition to the Board but so that the total number of directors shall not at any time exceed the maximum number. Any director so appointed shall hold office only until the conclusion of the next annual general meeting of the company and shall be eligible for re-election.
- the chairman should be an appointed non executive director.

The directors in office at the date of this report are:

Mr Douglas Peter LeMessurier  
Mrs Lusia Halina Guthrie  
Mr Paul Andrew Mariani  
Mr Paul Lawrence Kerr

**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 interested parties. 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 responsibility for the operation and administration of the company is delegated by the board to the managing director and the executive team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Managing Director and the executive team.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the board.

This is achieved by:

- development and adoption of strategic aims;
- constantly reviewing the future direction of the company;
- implementation of operating plans and budgets by management and monitoring by the board of progress against budget;

**VET BIOTECHNOLOGY LIMITED**  
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**CORPORATE GOVERNANCE STATEMENT**

- supervision and direction of management;
- monitoring of performance indicators against plans and prior year performance;
- procedures to allow the directors, whilst performing their duties, to seek independent professional advice;
- establishment of the remuneration package of the managing director and review of executive remuneration packages with the help of the remuneration committee;
- the review and approval of business acquisitions and disposals, mergers, joint ventures and the acquisition and disposal of strategic assets.

**Audit Committee**

The board is responsible for the company's accounting policies and practices, internal controls and financial reporting requirements. However the board has established an audit committee to assist in fulfilling these obligations. The audit committee reports to and operates in accordance with guidelines established by the board. The audit committee's responsibilities include:

- evaluate the adequacy and effectiveness of the company's administrative and accounting policies through active communication with management and the external auditors;
- reviewing the financial statements to ensure accuracy and adequacy of disclosure and compliance with statutory requirements prior to their release to the members and the public;
- reviewing and monitoring the effectiveness, efficiency and compliance with internal controls;
- evaluate the adequacy of the company's accounting control system by reviewing written reports from external auditors and monitor managements responses and actions to correct any deficiencies;
- review and approve all significant accounting policy changes;
- the safeguarding of company assets;
- the reliability of non financial information;
- nomination of the external auditor and review the scope and adequacy of the annual statutory external audit;
- evaluate the overall effectiveness of the external statutory audit through regular meetings with the external auditors;
- evaluation of insurance cover by discussion with or review of broker's reports.

The members of the audit committee are:

Mrs Lusia Halina Guthrie  
Mr Paul Andrew Mariani

**Remuneration Committee**

The board is responsible for the company's remuneration policy and compliance with environmental and health welfare and safety issues. However the board has established a remuneration committee to assist in fulfilling these obligations. The remuneration committee reports to and operates in accordance with guidelines established by the board. The remuneration committee's responsibilities include:

- to determine and monitor the application of the remuneration policy that best suits the achievement of the objectives of the company;



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- evaluate the adequacy of the company's levels of remuneration by monitoring the remuneration packages that are available both nationally and in the local area;
- annually review the management recommendations for the remuneration packages of all employees;
- review management proposals for individual employee remuneration packages where changes in responsibilities are to be made;
- evaluate the company's exposure to risk through lack of compliance to statutory regulations relating to environmental issues;
- evaluate the company's exposure to risk through lack of compliance to statutory regulations relating to occupational health, safety and welfare;
- monitor management's responses and actions to correct any deficiencies in relation to environmental and occupational health, safety and welfare issues.

The members of the remuneration committee are:

Mrs Lusia Halina Guthrie  
Mr Paul Andrew Mariani

**Monitoring of the Board's Performance and Communications to Shareholders**

The board 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 through:

- the annual report which is distributed to all members
- the annual general meeting of the company
- regular newsletters.

**VET BIOTECHNOLOGY LIMITED**  
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**DIRECTORS' REPORT**

Your directors present their report on the company and its controlled entities for the year ended 30 June 2005.

**Directors**

The names of directors in office at any time during or since the end of the year are:

Douglas Peter LeMessurier  
Lusia Halina Guthrie  
Paul Andrew Mariani  
Paul Lawrence Kerr

Appointed 16 August 2004

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

**Company Secretary**

The following person held the position of company secretary at the end of the financial year:

Paul James Mansfield - Chartered Accountant. Mr Mansfield was appointed company secretary on 15 April 2004.

**Principal Activities**

The principal activities of the company during the financial year were those of a veterinary biotechnology marketer.

There were no significant changes in the nature of the company's principal activities during the financial year.

**Operating Results**

The loss of the company for the year ended 30 June 2005 was \$326,683.

**Dividends Paid or Recommended**

There were no dividends paid or recommended to be paid.

**Review of Operations**

Vet Biotechnology Ltd converted the exclusive Heads of Agreement with VetCell Bioscience Ltd into an exclusive licence agreement. Under this agreement Vet Biotechnology Limited has an exclusive licence to manufacture and distribute the stem cell technology for repair of equine tendons and ligaments in Australia and New Zealand. The company will be required to obtain a permit from the Australian Pesticides and Veterinary Medicines Authority to manufacture and distribute the stem cell services in Australia. The company is investigating suitable contract manufacturing partners in Australia.

The company signed a Heads of Agreement with Veterinary Research Synergies Pty Ltd to enter into a research and development agreement to investigate a non-invasive breath test technology to diagnose equine gastrointestinal ulceration. This Heads of Agreement is contingent upon the successful negotiation of an exclusive licence to commercialise the equine applications of the sucrose breath test technology described in the Australian patent application PCT AU 02 01666 titled 'Breath Test'.

Vet Biotechnology Ltd. is continuing research utilising the Vap A technology to develop products for the long-term management of *Rhodococcus Equi* pneumonia in foals, commonly known as 'Rattles'.

The company issued an underwritten Prospectus in September to offer 950,000 shares at \$0.30 to raise \$285,000. The offer closed fully subscribed with oversubscriptions and the company listed on the Newcastle Stock Exchange on 10 December 2004. Capital funds raised during the six months to 31 December 2004 included further seed capital of \$137,000 with \$292,400 being raised on issue of the prospectus.

**VET BIOTECHNOLOGY LIMITED**  
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**Review of Operations (cont)**

Vet Biotechnology Ltd made an application to the Australian Pesticides and Veterinary Medicines Authority (APVMA) for a Minor Use Permit to market the equine stem cell technology in Australia. The company also requires a Good Manufacturing Practice (GMP) Licence to manufacture the stem cell services in Australia. The Institute of Medical and Veterinary Science (IMVS), Department of Haematology, received a GMP licence from the APVMA to contract manufacture the stem cell services in Australia on behalf of Vet Biotechnology Ltd. Vet Biotechnology Ltd signed a Manufacture and Supply Agreement with Medvet Science Pty Ltd, who acts as IMVS' authorised agent for science and technology commercialisation, for the manufacture of the equine stem cell services. On June 23 the company announced that the APVMA had approved the Minor Use Permit, valid from July 1 2005.

In preparation for the APVMA approvals, the company held a number of training courses for equine veterinarians in the use of the stem cell services. In total 78 equine veterinarians from around Australia and New Zealand, representing almost 10% of all Australian equine veterinarians, were trained and will be able to order the services from July 1 2005. Orders have been received for the services since July 1 2005.

On 10 August 2005 the company signed an exclusive world wide Licence, Distribution and Supply Agreement with VetCell BioScience Ltd (UK) to market their equine umbilical cord stem cell storage technology to major international customers involved in the breeding of performance horses.

On 14 June 2005 the company received a Terms Sheet, outlining a proposal for a backdoor listing on the Australian Stock Exchange (ASX), through a company called Plantcorp Ltd. Under the terms of the Terms Sheet Plantcorp Ltd will offer to acquire all of the issued Vet Biotechnology Ltd shares and Options. To enable an ASX listing, the merged group, to be known as Vet Biotechnology Ltd, will raise AUD\$3.25 million by an issue of 16,250,000 shares at \$0.20 each with a free attaching option pursuant to a Prospectus. Upon successful completion of the capital raising and admission to the ASX the merged group will be called Vet Biotechnology Ltd. The existing Vet Biotechnology Ltd officers will become the Board of the merged group. A Bidder's Statement was received from Plantcorp Ltd on 12 August 2005. On 15 August 2005 the Bidder's Statement was dispatched to Vet Biotechnology Limited security holders.

Vet Biotechnology Ltd. is continuing research utilising the Vap A technology to develop products for the long-term management of *Rhodococcus Equi* pneumonia in foals, commonly known as 'Rattles'.

On 11 August 2005, Vet Biotechnology Limited signed an exclusive sub-license agreement with Nidor Pty Ltd securing the worldwide right to commercialise the equine applications of a breath test technology for the diagnosis of Equine Gastric Ulcer Syndrome (EGUS) in horses. Vet Biotechnology Ltd also signed a Research and Development Agreement, with Veterinary Research Synergies Pty Ltd (VRS), to conduct clinical trials and develop an easy to use, non-invasive diagnostic for the detection and management Equine Gastric Ulcer Syndrome (EGUS). This agreement supersedes the previous Heads of Agreement between the companies signed on 23 December 2004. The phase I pre-clinical trial is in progress and the phase II clinical trial is contingent on successful completion of phase I.

**Financial Position**

The net assets of the company have increased by \$173,466 from 30 June 2004 to \$342,200 in 2005. The increase has resulted from the following factors:

- Share and option issues after costs associated with those issues raising \$500,149.
- Ongoing operating expenditure by the company as it proceeds to commercialisation of its stem cells services technology and continued review of technologies for suitability to commercialise. During the past financial year the company consolidated its position with regard to its heads of agreement with VetCell Bioscience Ltd by converting the option provided to it in that agreement to an exclusive licence agreement, the further cost of which was \$154,003.

**Significant Changes in State of Affairs**

The following significant changes in the state of affairs of the company occurred during the year:

- On 9 August 2004 the company issued 15,000 ordinary shares at 20 cents each with a free attaching option.

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**DIRECTORS' REPORT**

**Significant Changes in State of Affairs (cont)**

- On 11 August 2004 the company issued 360,000 ordinary shares at 15 cents each and 400,000 ordinary shares at 20 cents each, both with a free attaching option.
- On 10 November 2004 the company signed a Licence Agreement with VetCell Bioscience Ltd for an exclusive licence to manufacture and distribute the stem cell technology for repair of equine tendons and ligaments in Australia and New Zealand.
- On 10 December 2004 the company, by way of an initial public offering, issued 974,666 ordinary shares each at 30 cents with a free attaching option.
- On 10 December 2004 the company issued 380,000 shares at 30 cents each with a free attaching option to Martin Place Securities Pty Ltd and or their nominee as payment for underwriting commission.
- As a result of signing a Heads of Agreement with Veterinary Research Synergies Pty Ltd on 23 December 2004 for research and development to investigate a non invasive breath test technology. The company has paid \$24,345 for trial preparation and documentation and an initial payment of the pre-clinical trial budget. The company is committed to a further \$42,820 to complete the pre-clinical trials.
- On 29 March 2005 the company issued 500,000 ordinary shares at 40 cents each and 500,000 options at 10 cents each to Director P Kerr as consideration for his services as a director.
- On 27 April 2005 the company signed a Licence, Sub-Licence, Manufacture and Supply Agreement with Medvet Science Pty Ltd for the provision of services, the growth of equine stem cells and cryo storage of equine umbilical cord stem cells in accordance with the implementation of the licence agreement with VetCell Bioscience Ltd.
- In June 2005 shareholders converted 410,000 options with an exercise price of 30 cents each contributing \$123,000. Shares relating to this conversion were issued in July 2005.

**After Balance Date Events**

**Backdoor Listing on the Australian Stock Exchange**

On 14 June 2005, the company received a terms sheet from Plantcorp Ltd to acquire all of the issued Vet Biotechnology Limited shares for a consideration of 3.5 Plantcorp Ltd shares for every 1 Vet Biotechnology Limited share. Plantcorp will also offer to acquire all of the issued Vet Biotechnology Limited options for a consideration of 3 Plantcorp Limited options for every 2 Vet Biotechnology Limited options.

On 15 August 2005 the company received a Bidder's Statement issued by Plantcorp Ltd. The conditional offer is for the acquisition of all of the issued Vet Biotechnology Limited shares for a consideration of 7 Plantcorp Ltd shares for every 2 Vet Biotechnology Limited shares and all the issued Vet Biotechnology Options for a consideration of 3 Plantcorp Ltd options for every 2 Vet Biotechnology Limited options.

The offer is conditional on Plantcorp Ltd shareholders approving a number of resolutions including a consolidation of Plantcorp ordinary and converting preference shares and Plantcorp changing its name to Vet Biotechnology Ltd.

The offer is also conditional upon Plantcorp Ltd acquiring at least 90% of the Vet Biotechnology shares, becoming able to proceed to compulsory acquisition of the remainder shares under the Corporations Act 2001, as well as acquiring at least 50% of the Vet Biotechnology Limited options, Plantcorp raising at least \$3.25 million in capital raising and permission being granted by the Australian Stock Exchange for admission to quotation of Plantcorp Ltd's securities by no later than seven days after the end of the Offer Period.

The takeover will enable a backdoor listing on the Australian Stock Exchange.

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**After Balance Date Events (cont)**

**Licence, Distribution and Supply Agreement for Equine Umbilical Stem Cell Storage Technology**

On 10 August 2005, Vet Biotechnology signed an agreement for an exclusive world wide Licence, Distribution and Supply Agreement with VetCell Bioscience Ltd (UK) to market their equine umbilical cord stem cell storage technology subject to payment of a royalty of 5% of net sales.

Vet Biotechnology Limited will market and sell the equine umbilical cord stem cell storage service to major international customers involved in the breeding of performance horses.

Under the terms of the licence Vet Biotechnology Limited may sub-licence the manufacturing of the services to international laboratories approved by VetCell Bioscience Ltd. Vet Bioscience Ltd is responsible for obtaining any approvals, authorisations and accreditations necessary or desirable to enable Vet Biotechnology Ltd to market the stem cell storage technology outside Australia and New Zealand. Vet Biotechnology Ltd must meet minimum sales volumes over a three year period.

**Equine Gastric Ulcer Syndrome in Horses - Sub-Licence**

On 11 August 2005, the company signed an exclusive sub-licence agreement with Nidor Pty Ltd securing the worldwide right to commercialise the equine applications of a breath test technology for the diagnosis of Equine Gastric Ulcer Syndrome (EGUS) in horses.

Under the sub-licence Nidor Pty Ltd has granted Vet Biotechnology Limited an exclusive right to research, develop and commercialise the equine applications of the technology.

The term of the agreement continues:

- where there is a patent or patent application for the technology related to the products, on a country by country bases until:
  - the expiration of the last such patent;
  - the abandonment or invalidation of all Patent Rights; or
  - the early termination of the Sub-Licence by operation of the provisions to the agreement.
- where there are no Patent Rights for the technology related to the products, on a country by country basis for a period of 15 years from the date of execution of the agreement.

Royalties are payable to Nidor Pty Ltd in each successive 12 month period ending 30 June each year the higher amount of 4% of Net Sales in the 12 month period or \$5,000 and a pass-through fee of 25% of fees and royalties collected from under-licensees in the relevant 12 month period.

Vet Biotechnology will contribute 15% towards any costs incurred by Nidor Pty Ltd in respect of patent costs incurred to date, PCT patents and corresponding patents in other countries (on a country by country basis).

**Equine Gastric Ulcer Syndrome in Horses - Research and Development**

On 11 August 2005, the company signed a Research and Development Agreement, with Veterinary Research Synergies Pty Ltd, to conduct clinical trials and develop an easy to use, non-invasive diagnostic for the detection and management of Equine Gastric Ulcer Syndrome (EGUS). This agreement supercedes the previous Heads of Agreement between the companies entered into on 23 December 2004.

Under the terms of the agreement, Veterinary Research Synergies Pty Ltd will carry out pre-clinical and clinical studies against milestones over a period of up to 18 months. The commitment to complete phase 1 of the research is \$42,825 and if the trials proceed to completion, phase II, a further \$136,800 is payable.

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**Future Developments, Prospects and Business Strategies**

The approval of the stem cell services by the APVMA will allow the company to offer the bone marrow and umbilical cord derived services to customers in Australia. Revenues from trained Australian veterinarian customers are expected for the bone marrow service during the 2006 financial year and will provide ongoing revenues for the foreseeable future. The umbilical cord service is expected to be launched during the Australian foaling season from August to December and is expected to derive some revenues from Australian thoroughbred breeders. These revenues will provide cash flow and support the operating expenses of the company. A return of dividends to shareholders is not expected in the next financial year from these operations.

Revenues from the Rattles and EGUS research and development programs are subject to achieving satisfactory research milestones and are not expected to provide revenues for the 2006 financial year.

A successful backdoor listing on the Australia Stock Exchange, through Plantcorp Ltd, is intended to raise \$3.25 million with a minimum subscription of \$2.25 million and oversubscriptions of up to \$1.0 million. This capital will be used to fund the company's growth in the next two years through a range of investments that may include commercial acquisitions, commercialisation of new technologies, investment in research and development projects and working capital for the company. The investment will provide the long-term basis for deriving future dividend returns to shareholders and further investments in veterinary products and services to drive the profitability of the company.

**Remuneration Policy**

The Remuneration Policy of Vet Biotechnology Ltd (VBT) has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting VBT's financial results.

The key objectives of the Remuneration Policy are to appropriately and effectively attract and retain the best executives and directors to run and manage the company, as well as create goals congruent between directors, executives and shareholders.

The Remuneration Policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Remuneration Committee and approved by the Board after seeking professional advice from independent external consultants.

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives with:

- Performance-based bonus based on Key Performance Indicators (KPI's); and
- Issue of Options to the majority of directors and executives to encourage the alignment of personal and shareholder interests.

The VBT Board's policy for determining the nature and amount of remuneration for board members and senior company executives follows.

**Terms & Conditions**

All executives receive a base salary, based on length of service, professional qualifications and experience, superannuation, fringe benefits, options and performance incentives.

The remuneration committee reviews executive packages annually by reference to the company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

**Performance Measurement**

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the company's profits and shareholders' value.



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**Remuneration Policy (cont)**

All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the Remuneration Committee's recommendations.

Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

**Superannuation**

The executive directors and executives receive a superannuation guarantee contribution, required by the government, which is currently 9% and do not receive any other retirement benefits. Individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

**Shares & Options**

Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid to the director or executive.

**Non-executive Directors**

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Remuneration Committee determines payments to non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

Fees for non-executive directors are not linked to the performance of the company. To align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

**Performance Based Remuneration**

As part of each executive director and executives' remuneration package there is a performance-based component consisting of key performance indicators. The intention of this programme is to facilitate goal congruence between directors and executives with that of the business and shareholders.

Key Performance Indicators - KPI's:

- Are set annually in consultation with directors/executives. The measures are specifically tailored to the areas in which the director/executive is directly involved and has a level of control over.
- Target areas the board believes hold greater potential for business expansion and profit.
- Cover financial and non-financial as well as short- and long-term goals.
- The level set for each KPI is based on budgeted figures for the company and respective industry standards.
- Performance in relation to KPI's is assessed annually, with minor quarterly reviews.
- Bonuses being awarded depend on the number and difficulty of the KPI's achieved.

Following the assessment, the KPI's are reviewed by the remuneration committee in light of the desired and actual outcomes. The efficacy of the KPI's is assessed in relation to the company's goals and shareholder wealth, before the KPI's are set for the following year. Where advisable, independent reports are obtained from external organisations.

**VET BIOTECHNOLOGY LIMITED**  
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**DIRECTORS' REPORT**

**Information on Directors**

**Douglas Peter LeMessurier**

Qualifications	-	Sharebroker
Experience	-	Various company directorships
Interest in Shares and Options	-	950,000 ordinary shares of Vet Biotechnology Limited and options to acquire a further 950,000 ordinary shares of Vet Biotechnology Limited
Third Party Holdings	-	1,000,000 ordinary shares of Vet Biotechnology Limited and options to acquire a further 1,000,000 ordinary shares of Vet Biotechnology Limited in the name of Palpet Pty Ltd
	-	900,000 ordinary shares of Vet Biotechnology Limited and options to acquire a further 900,000 ordinary shares of Vet Biotechnology Limited in the name of First Avenue Investments Pty Ltd
	-	500,000 ordinary shares of Vet Biotechnology Limited and options to acquire a further 500,000 ordinary shares of Vet Biotechnology Limited in the name of Kytro Pty Ltd
Directorships held in other listed entities	-	Current director of LabTech Systems Ltd (since 19 January 2005)

**Lusia Halina Guthrie**

Qualifications	-	Consultant
Experience	-	Various company directorships
Interest in Shares and Options	-	500,000 ordinary shares of Vet Biotechnology Limited and options to acquire a further 500,000 ordinary shares of Vet Biotechnology Limited
Directorships held in other listed entities	-	Current director of LabTech Systems Ltd (since 1 March 2004)

**Paul Andrew Mariani**

Qualifications	-	Executive
Experience	-	Various company directorships
Interest in Shares and Options	-	Nil
Third Party Holdings	-	500,000 ordinary shares of Vet Biotechnology Limited and options to acquire a further 500,000 ordinary shares of Vet Biotechnology Limited in the name of Brentwood Pty Ltd
Directorships held in other listed entities	-	Current director of LabTech Systems Ltd (since 1 March 2004)

**Paul Lawrence Kerr**

Qualifications	-	Executive
Experience	-	Various company directorships
Interest in Shares and Options	-	500,000 ordinary shares of Vet Biotechnology Limited and options to acquire a further 500,000 ordinary shares of Vet Biotechnology Limited



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**Option Details** - Exercise Price \$0.30 at any time until 30 June 2011

At the date of this report, the unissued ordinary shares of Vet Biotechnology Limited under option are as follows:-

<b>Grant Date</b>	<b>Date of Expiry</b>	<b>Exercise Price</b>	<b>Number Under Option</b>
10/09/03	30/06/11	\$0.30	54,000
15/09/03	30/06/11	\$0.30	5,346,000
12/11/03	30/06/11	\$0.30	1,600,000
18/12/03	30/06/11	\$0.30	200,000
11/03/04	30/06/11	\$0.30	420,666
31/03/04	30/06/11	\$0.30	68,334
05/04/04	30/06/11	\$0.30	66,666
21/06/04	30/06/11	\$0.30	68,000
24/06/04	30/06/11	\$0.30	304,000
30/06/04	30/06/11	\$0.30	172,427
09/08/04	30/06/11	\$0.30	15,000
11/08/04	30/06/11	\$0.30	760,000
17/12/04	30/06/11	\$0.30	1,354,666
29/03/05	30/06/11	\$0.30	500,000
			10,929,759

#### **Director and Executive Option Plan**

The company has a Director and Executive Option Plan. Directors and executives, at the discretion of the board, may be granted options under this plan. To date there have been no options issued under this plan.

#### **Meetings of Directors**

During the year to 30 June 2005, ten meetings of directors (including committees of directors) were held. Attendances by each director during the reporting period were:

	<b>DIRECTORS MEETINGS</b>	
	<b>Number eligible to attend</b>	<b>Number Attended</b>
Douglas Peter LeMessurier	10	10
Lusia Halina Guthrie	10	10
Paul Andrew Mariani	10	5
Paul Lawrence Kerr	9	9

There were no meetings held during the year by the audit committee, matters of remuneration were discussed at board level.

#### **Indemnifying Officers or Auditor**

During or since the end of the financial year the company has not given any indemnity or entered into any agreement to indemnify or paid or agreed to pay any insurance premiums of officers or the auditor.

#### **Auditor's Independence Declaration**

The auditor's independence declaration for the year ended 30 June 2005 has been received and can be found on page 13 of the directors' report.

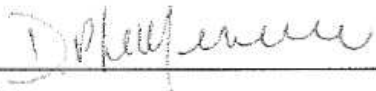
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**Proceedings on Behalf of Company**

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 a party to any such proceedings during the reporting period.

Signed in accordance with a resolution of the Board of Directors



Director  
Douglas Peter LeMessurier



Director  
Lusia Halina Guthrie

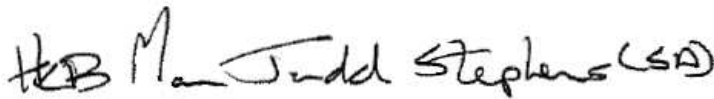
Dated at Adelaide this 29<sup>th</sup> day of August 2005

VET BIOTECHNOLOGY LIMITED  
ACN 105 577 017

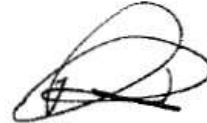
AUDITORS' INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF VET BIOTECHNOLOGY LIMITED

As auditor for the audit of Vet Biotechnology Limited for the year ended 30 June 2005, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



HLB MANN JUDD STEPHENS (S.A.)  
CHARTERED ACCOUNTANTS



PHIL PLUMMER  
PARTNER

Adelaide,  
29 August 2005

VET BIOTECHNOLOGY LIMITED  
ACN 105 577 017  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005	2004 \$
Revenue from ordinary activities	2	32,309	32,318
Other expenses from ordinary activities	3	(358,992)	(108,506)
Loss from ordinary activities before income tax		(326,683)	(76,188)
Income tax expense relating to ordinary activities	1a	-	-
Loss from ordinary activities after related income tax		(326,683)	(76,188)
Net loss attributable to members		(326,683)	(76,188)
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>(326,683)</b>	<b>(76,188)</b>
Basic earnings per share (cents per share)	15	(3.32)	(1.37)
Diluted earnings per share (cents per share)	15	(1.48)	(1.37)

The accompanying notes form part of these financial statements

**VET BIOTECHNOLOGY LIMITED**  
**ACN 105 577 017**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2005**

	Note	2005 \$	2004 \$
<b>CURRENT ASSETS</b>			
Cash Assets	5	145,540	107,388
Receivables	6	<u>13,032</u>	<u>8,306</u>
<b>TOTAL CURRENT ASSETS</b>		<u><b>158,572</b></u>	<u><b>115,694</b></u>
<b>NON-CURRENT ASSETS</b>			
Plant and Equipment	7	8,959	4,319
Intangible Asset	8	315,143	64,174
Other	9	<u>781</u>	<u>37,485</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u><b>324,883</b></u>	<u><b>105,978</b></u>
<b>TOTAL ASSETS</b>		<u><b>483,455</b></u>	<u><b>221,672</b></u>
<b>CURRENT LIABILITIES</b>			
Payables	10	<u>141,255</u>	<u>52,938</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u><b>141,255</b></u>	<u><b>52,938</b></u>
<b>TOTAL LIABILITIES</b>		<u><b>141,255</b></u>	<u><b>52,938</b></u>
<b>NET ASSETS</b>		<u><b>342,200</b></u>	<u><b>168,734</b></u>
<b>EQUITY</b>			
Contributed Equity	11	745,071	244,922
Retained Profits	12	<u>(402,871)</u>	<u>(76,188)</u>
<b>TOTAL EQUITY</b>		<u><b>342,200</b></u>	<u><b>168,734</b></u>

The accompanying notes form part of these financial statements

**VET BIOTECHNOLOGY LIMITED**  
**ACN 105 577 017**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

	Note	2005 \$	2004 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		28,984	33,000
Payments to Suppliers and Employees		(313,818)	(118,276)
Interest Received		8,028	2,318
<b>Net cash provided by (used in) operating activities</b>	<b>14</b>	<b><u>(276,806)</u></b>	<b><u>(82,958)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for Option Fee		-	(61,449)
Payment for VetCell Licence Fee		(154,003)	-
Payment for Sucrose Breath Test Research		(24,345)	-
Payment for Plant & Equipment		(6,843)	(4,720)
<b>Net cash used in investing activities</b>		<b><u>(185,191)</u></b>	<b><u>(66,169)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares			
- Seed Capital		137,000	256,515
- Initial Public Offering		292,400	-
- Shares Issued to Underwriter as Placement Commission		114,000	-
- Exercise of Options		123,000	-
- Capital Raising Costs inclusive of Placement Commission		(166,251)	-
<b>Net cash provided by (used in) financing activities</b>		<b><u>500,149</u></b>	<b><u>256,515</u></b>
<b>Net increase in cash held</b>		<b><u>38,152</u></b>	<b><u>107,388</u></b>
Cash at beginning of period		107,388	-
Cash at end of period	<b>5</b>	<b><u>145,540</u></b>	<b><u>107,388</u></b>

The accompanying notes form part of these financial statements

**VET BIOTECHNOLOGY LIMITED**  
**ACN 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

**Note 1: Basis of Preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers Vet Biotechnology Limited a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

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

**(a) Income Tax**

The company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit. At reporting date an amount of \$120,861 being 30% of tax losses of \$402,871 has accordingly not been recognised as a future income tax benefit as there is no virtual certainty of realisation of the benefit.

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 company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**(b) Plant and Equipment**

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

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 which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The depreciable amount of all plant and equipment is depreciated on a straight line basis over their useful lives to the company commencing from the time the asset is held ready for use.

The depreciation rate for plant and equipment ranges between 5% and 33%.

**VET BIOTECHNOLOGY LIMITED**  
**ACN 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

**Note 1: Basis of Preparation**

**(c) Patents, Trademarks and Options**

Licence fees and option fees are valued in the accounts at cost of acquisition and are amortised over the period in which their benefits are expected to be realised.

**Option Fee and Medvet Licence Fee**

The option fee and the Medvet Licence fee are being amortised over a fifteen year period commensurate with the terms of the sub-licence agreement and licence agreement.

**VetCell Licence Fee**

The VetCell licence fee is being amortised over a twenty one year period commensurate with the terms of the licence agreement negotiated with the company in respect of the relative technology, commencing 10 November 2004.

**(d) Research and Development Costs**

Research and development costs are charged to profit from ordinary activities before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs.

Deferred research and development expenditure is amortised on a straight line basis over the period during which the related benefits are expected to be realised, once commercial production has commenced.

**(e) Cash**

For the purpose of the statement of cash flows, cash includes:

- cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts;  
and
- investments in money market instruments with less than 14 days to maturity.

**(f) Revenue**

Interest revenue is recognised on a proportional basis taking in to account the interest rates applicable to the financial assets.

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).

**(g) Goods and Services Tax**

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 assets or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.



**VET BIOTECHNOLOGY LIMITED**  
**ACN 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

**Note 1: Basis of Preparation**

**(h) Foreign Currency Transactions and Balances**

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

**(i) Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Contributions are made by the company to employee superannuation funds and are charged as expenses when incurred.

**(j) Comparative Figures**

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

**(k) Impact of Adoption of Australian Equivalents to International Financial Reporting Standards**

The company is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the company's financial statements for the year ending 30 June 2006. On first time adoption AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The company's management, with the assistance of external consultants, has assessed the significance of the expected changes and is preparing for their implementation. An AIFRS committee is overseeing and managing the company's transition to AIFRS. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

The directors are of the opinion that the key material differences in the company's accounting policies on conversion to AIFRS and the financial effects of these differences, where known, are as follows. Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS or interpretation of the AIFRS requirements changes from the continuing work of the company's AIFRS committee.

**(i) Research and Development Expenditure**

Under AASB 138: Intangible Assets, costs associated with the research phase of the development of an asset must be expensed. This will result in a change in the current accounting policy, which capitalises research costs to the statement of financial position where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover these deferred costs.

On transition the impact of this is estimated to be a reduction of \$69,447 to intangible assets. This adjustment will be allocated to Retained Profits at 1 July 2005.

**VET BIOTECHNOLOGY LIMITED**  
**ACN 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

**Note 1: Basis of Preparation**

**(k) Impact of Adoption of Australian Equivalents to International Financial Reporting Standards (cont.)**

**(ii) Income Tax**

Currently, the company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112: Income Taxes, the company will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

<b>Reconciliation of Net Profit/(Loss)</b>	<b>2005</b>
Net loss reported under Australian Accounting Standards	(326,683)
Key transitional adjustments:	
- Recognition of research costs expensed	(69,447)
- Income tax expense	<u>20,834</u>
Total transitional adjustments	<u>(48,613)</u>
<b>Net profit under AIFRS</b>	<b><u>(375,296)</u></b>
<b>Reconciliation of Equity</b>	
Total Equity reported under Australian Accounting Standards	342,200
Retrospective adjustments to equity at 1 July 2004	
- Recognition of research costs expensed	(69,447)
- Recognition of future tax benefit	<u>20,834</u>
Decrease in current year profit resulting from transition to AIFRS	<u>(48,613)</u>
<b>Total equity under AIFRS</b>	<b><u>293,587</u></b>

	2005 \$	2004 \$
<b>Note 2: Revenue</b>		
Operating Activities		
Project Consulting Fees	-	30,000
Training Courses	24,281	-
Interest Received (Note 1d)	<u>8,028</u>	<u>2,318</u>
	<b><u>32,309</u></b>	<b><u>32,318</u></b>

**VET BIOTECHNOLOGY LIMITED**  
**ACN 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

	Note	2005 \$	2004 \$
<b>Note 3: Profit from Ordinary Activities</b>			
Profit from ordinary activities before income tax has been determined after:			
Expenses:			
Accounting and Administration		36,000	21,037
Consulting Fees		45,112	20,000
Legal Fees		11,106	1,592
Marketing		16,283	-
Patent Fees		7,581	3,335
Rent		6,500	2,044
Salaries and Wages		120,699	37,163
Depreciation on Plant and Equipment		2,153	401
Amortisation		9,186	1,066
Other Expenses		104,372	21,868
		<u><b>358,992</b></u>	<u><b>108,506</b></u>
<b>Note 4: Auditors' Remuneration</b>			
Remuneration of the auditor for:			
- auditing or reviewing the financial report		7,050	4,500
- other services		-	-
- other services provided by related practice of auditor		-	-
Total Auditors' Remuneration / Amount transferred to contributed equity		<u><b>7,050</b></u>	<u><b>4,500</b></u>
<b>Note 5: Cash Assets</b>			
Cash at bank		<u>145,540</u>	<u>107,388</u>
		<u><b>145,540</b></u>	<u><b>107,388</b></u>
Reconciliation of Cash			
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:			
Cash at bank		<u>145,540</u>	<u>107,388</u>
		<u><b>145,540</b></u>	<u><b>107,388</b></u>
<b>Note 6: Receivables</b>			
CURRENT			
Sundry Debtors		<u>13,032</u>	<u>8,306</u>
		<u><b>13,032</b></u>	<u><b>8,306</b></u>
<b>Note 7: Plant and Equipment</b>			
Plant and Equipment at Cost	1(b)	11,315	4,472
Less: Accumulated Depreciation		<u>(2,554)</u>	<u>(401)</u>
		<u><b>8,761</b></u>	<u><b>4,071</b></u>
Leasehold Improvements at Cost	1(b)	248	248
Less: Accumulated Amortisation		<u>(50)</u>	<u>-</u>
		<u><b>198</b></u>	<u><b>248</b></u>
<b>Total Plant and Equipment at Cost</b>		<u><b>8,959</b></u>	<u><b>4,319</b></u>

**VET BIOTECHNOLOGY LIMITED**  
**ACN 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

	Note	2005 \$	2004 \$
<b>Note 8: Intangible Assets</b>			
Option Fee at Cost	1(c)	25,000	25,000
Less: Accumulated Amortisation		<u>(2,493)</u>	<u>(826)</u>
		<b><u>22,507</u></b>	<b><u>24,174</u></b>
Medvet Licence Fee at Cost	1(c)	40,000	40,000
Less: Accumulated Amortisation		<u>(1,499)</u>	<u>-</u>
		<b><u>38,501</u></b>	<b><u>40,000</u></b>
VetCell Licence Fee at Cost	1(c)	190,452	-
Less: Accumulated Amortisation		<u>(5,765)</u>	<u>-</u>
		<b><u>184,688</u></b>	<b><u>-</u></b>
Sucrose Breath Test Research at Cost	1(d)	<u>24,345</u>	<u>-</u>
		<b><u>24,345</u></b>	<b><u>-</u></b>
Vap A Research at Cost	1(d)	<u>45,102</u>	<u>-</u>
		<b><u>45,102</u></b>	<b><u>-</u></b>
<b>Total Intangible Assets</b>		<b><u>315,143</u></b>	<b><u>64,174</u></b>
<b>Note 9: Non-Current Assets - Other</b>			
Formation Expenses at Cost		1,276	1,276
Less: Accumulated Amortisation		<u>(495)</u>	<u>(240)</u>
		<b><u>781</u></b>	<b><u>1,036</u></b>
VetCell Licence Fee at Cost		<u>-</u>	<u>36,449</u>
		<b><u>-</u></b>	<b><u>36,449</u></b>
<b>Total Non-Current Assets - Other</b>		<b><u>781</u></b>	<b><u>37,485</u></b>
<b>Note 10: Payables</b>			
<b>CURRENT</b>			
Trade creditors and accrued expenses		115,096	3,752
Medvet Licence Fee at Cost		22,000	44,000
Amounts payable to director related entities		-	5,186
Unpaid employee entitlements		<u>4,159</u>	<u>-</u>
		<b><u>141,255</u></b>	<b><u>52,938</u></b>
<b>Note 11: Contributed Equity</b>			
10,929,759 (2004: 8,300,093) fully paid ordinary shares		922,915	256,515
Less: Costs associated with Capital Raising		<u>(177,844)</u>	<u>(11,593)</u>
		<b><u>745,071</u></b>	<b><u>244,922</u></b>

**VET BIOTECHNOLOGY LIMITED**  
**ACN 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

	Note	2005 \$	2004 \$
<b>Note 11: Contributed Equity (cont.)</b>			
<b>(a) Ordinary Shares</b>			
At the beginning of the reporting period		244,922	-
Shares issued during the year			
- 1 for cash			1
- 53,999 for no consideration			-
- 5,346,000 bonus issue - no consideration			-
- 1,800,000 at \$0.05 each			90,000
- 1,090,093 at \$0.15 each			163,514
- 10,000 at \$0.30 each			3,000
- 360,000 at \$0.15 each		54,000	
- 415,000 at \$0.20 each		83,000	
- 974,666 at \$0.30 each		292,400	
- 380,000 at \$0.30 each as payment for underwriting commission		114,000	
- 500,000 at \$0.40 each to director Paul Kerr			
Less: Costs associated with Capital Raising		(166,251)	(11,593)
		<b>622,071</b>	<b>244,922</b>
<b>(b) (i) Monies from exercise of options</b>	<b>11(b)(ii)</b>	123,000	-
<b>Total Issued Capital</b>		<b>745,071</b>	<b>244,922</b>
(ii) 410,000 options with an exercise price of 30 cents each amounting to \$123,000 were exercised in June 2005. Shares relating to this conversion were issued in July 2005.			
<b>(c)</b> Each option entitles the holder to subscribe for one ordinary share in the capital of the company at an exercise price of 30 cents. Options may be exercised in whole or in part at any time up until 30 June 2011.			
<b>(d)</b> Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.			
<b>(e)</b> If in the event of winding up of the company there remains a surplus of assets available for distribution to Members, ordinary shareholders will be repaid in proportion to the number of fully paid ordinary shares held by them.			

**Note 12: Retained Profits**

Retained profits/(loss) at the beginning of the year	(76,188)	-
Net profit/(loss) for the year	(326,683)	(76,188)
Retained profits/(loss) at the end of the year	<b>(402,871)</b>	<b>(76,188)</b>

**VET BIOTECHNOLOGY LIMITED**  
**ACN 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

**2005**  
**\$**                      **2004**  
**\$**

**Note 13: Leasing Commitments Outstanding**

Operating Lease Commitments for Office Premises

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

Payable

- not later than 1 year

10,725	10,725
<u>10,725</u>	<u>10,725</u>

**Note 14: Cash Flow Information**

**Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities after Income Tax**

Loss from ordinary activities after income tax	(326,683)	(76,188)
Non-cash flows in loss from ordinary activities		
Amortisation	9,186	1,066
Depreciation	2,153	401
(Increase)/decrease in receivables	4,726	(8,306)
(Increase)/decrease in formation expenses	-	(1,276)
Increase/(decrease) in trade creditors and accruals	33,812	12,938
Costs in connection with initial public offering recognised in contributed equity		(11,593)
	<u>(276,806)</u>	<u>(82,958)</u>

**Note 15: Earnings Per Share**

**Reconciliation of Earnings to Net Loss**

Net Loss	<u>(326,683)</u>	<u>(76,188)</u>
Earnings used in the calculation of basic earnings per share	<u>(326,683)</u>	<u>(76,188)</u>
Earnings used in the calculation of diluted earnings per share	<u>(326,683)</u>	<u>(76,188)</u>
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	<u>9,838,490</u>	<u>5,544,939</u>
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	<u>22,136,602</u>	<u>5,544,939</u>

**VET BIOTECHNOLOGY LIMITED**  
**ACN 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

**Note 16: Directors' and Executive Remuneration**

**(a) Names and positions held of Vet Biotechnology Limited directors and specified executive in office at any time during the financial year are:**

Directors

Mr D P LeMessurier	Chairman - Non-Executive	
Mrs L H Guthrie	Director - Non-Executive	
Mr P A Mariani	Director - Non-Executive	
Mr P L Kerr	Director - Non-Executive	<i>Appointed 16 August 2004</i>

Specified Executive

Mr H F LeMessurier	General Manager
--------------------	-----------------

**(b) Directors' Remuneration**

**2005**

	Primary		Post Employment			Equity		Other	Total
	Salary, Fees & Commissions	Super-annuation Contributions	Cash Bonus	Non-Cash Benefits	Super-annuation	Shares	Options		
Mr D P LeMessurier	-	-	-	-	-	-	-	-	-
Mrs L H Guthrie	3,637	-	-	-	-	-	-	-	3,637
Mr P A Mariani	-	-	-	-	-	-	-	-	-
Mr P L Kerr	-	-	-	-	-	200,000	50,000	-	250,000
	<u>3,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>50,000</u>	<u>-</u>	<u>253,637</u>

**2004**

	Primary		Post Employment			Equity		Other	Total
	Salary, Fees & Commissions	Super-annuation Contributions	Cash Bonus	Non-Cash Benefits	Super-annuation	Shares	Options		
Mr D P LeMessurier	-	-	-	-	-	-	-	-	-
Mrs L H Guthrie	22,179	-	-	-	-	-	-	-	22,179
Mr P A Mariani	-	-	-	-	-	-	-	-	-
Mr P L Kerr	-	-	-	-	-	-	-	-	-
	<u>22,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,179</u>

**VET BIOTECHNOLOGY LIMITED**  
**ACN 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

**Note 16: Directors' and Executive Remuneration (cont)**

**(c) Specified Executive's Remuneration**

**2005**

	Primary				Post Employ- ment	Equity		Other	Total
	Salary, Fees & Commis- sions	Super- annuation Contri- butions	Cash Bonus	Non-Cash Benefits	Super- annuation	Shares	Options		
Mr H F LeMessurier	82,890	7,416	-	-	-	-	-	-	90,306
	82,890	7,416	-	-	-	-	-	-	90,306

**2004**

	Primary				Post Employ- ment	Equity		Other	Total
	Salary, Fees & Commis- sions	Super- annuation Contri- butions	Cash Bonus	Non-Cash Benefits	Super- annuation	Shares	Options		
Mr H F LeMessurier	38,022	2,933	-	-	-	-	-	-	40,955
	38,022	2,933	-	-	-	-	-	-	40,955

**(d) Remuneration Equity**

**Options Granted as Remuneration**

Directors	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date \$	Exercise Price \$	First Exercise Date	Last Exercise Date	Value of Remuneration
Mr D P LeMessurier	-	-	-	-	-	-	-	-
Mrs L H Guthrie	-	-	-	-	-	-	-	-
Mr P A Mariani	-	-	-	-	-	-	-	-
Mr P L Kerr	-	500,000	29/03/05	0.10	0.30	29/03/05	30/06/11	50,000
Executives								
Mr H F LeMessurier	-	-	-	-	-	-	-	-
	-	500,000						50,000

**Shares Granted as Remuneration**

Directors	Grant Date	Granted No.	Value per Share at Grant Date \$	Value of Remun- eration
Mr D P LeMessurier	-	-	-	-
Mrs L H Guthrie	-	-	-	-
Mr P A Mariani	-	-	-	-
Mr P L Kerr	29/03/05	500,000	0.40	200,000
Executives				
Mr H F LeMessurier	-	-	-	-
		500,000		200,000



**VET BIOTECHNOLOGY LIMITED**  
**ACN 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

**Note 16: Directors' and Executive Remuneration (cont)**

At a general meeting of shareholders held on 29 March 2005 the shareholders approved the allotment to Paul Kerr of 500,000 ordinary shares and 500,000 options with an exercise price of 30 cents expiring 30 June 2011 for services rendered as a director. The shares were allotted at \$0.40 each. The value was determined because that was the closing price of the shares on the Newcastle Stock Exchange on 10 February 2005. The options were allotted at \$0.10 each because that was the closing price of the options on the Newcastle Stock Exchange on 10 February 2005. In monetary terms the total value of his remuneration was \$250,000. This issue of shares and options constituted the total remuneration package for Mr Paul Lawrence Kerr for the financial year ended 30 June 2005. The shares and options had been trading on the Newcastle Stock Exchange since 10 December 2005 and had traded consistently for \$0.40 and \$0.10 respectively. Up to 10 February 2005 there had been 439,002 shares and 257,333 options traded since listing.

**(e) Options Holdings**

Directors	Balance 01/07/04	Granted as Remun- eration	Options Exercised	Net Change Other*	Balance 30/06/05	Total Vested 30/06/05	Total Exercisable 30/06/05	Total Unexercise-able 30/06/05
Mr D P LeMessurier	3,700,000	-	-	-	3,700,000	3,700,000	3,700,000	-
Mrs L H Guthrie	500,000	-	-	-	500,000	500,000	500,000	-
Mr P A Mariani	570,000	-	-	-	570,000	570,000	570,000	-
Mr P L Kerr	-	500,000	-	-	500,000	500,000	500,000	-
Specified Executives								
Mr H F LeMessurier	500,000	-	-	-	500,000	500,000	500,000	-
	<u>5,270,000</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>5,770,000</u>	<u>5,770,000</u>	<u>5,770,000</u>	<u>-</u>

\*Net change other reflects those options that have been forfeited by holders as well as options issued during the year.

Options over ordinary shares can be exercised at any time up to 30 June 2011 at an exercise price of 30 cents.

**(f) Shareholdings**

Directors	Balance 01/07/04	Received as Remun- eration	Options Exercised	Net Change Other*	Balance 30/06/05
Mr D P LeMessurier	3,700,000	-	-	-	3,700,000
Mrs L H Guthrie	500,000	-	-	-	500,000
Mr P A Mariani	570,000	-	-	-	570,000
Mr P L Kerr	-	500,000	-	-	500,000
Specified Executives					
Mr H F LeMessurier	500,000	-	-	-	500,000
Total	<u>5,270,000</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>5,770,000</u>

\*Net change other refers to shares purchased or sold during the year.

**(g) Employees**

Number of employees (including directors) at year end

6

**VET BIOTECHNOLOGY LIMITED**  
**ACN 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

**Note 17: 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.

**Directors' Transactions with the Company**

**D P LeMessurier**

An option agreement between Medvet Science Pty Ltd and D P LeMessurier and or his nominee was entered into on 3 June 2003.

The option agreement grants an exclusive worldwide option to enter into good faith negotiations with Medvet Science Pty Ltd with a view to it granting an exclusive worldwide sublicense in respect of their intellectual property rights in the technology to an invention known as the *Rhodococcus equi* ELISA Diagnostic Assay.

The terms and conditions for which this option is granted are that Mr D P LeMessurier having the option agreement and exercised his option shall pay Medvet Science Pty Ltd the non refundable sum of \$25,000.

On 9 September 2003, D P LeMessurier agreed to assign and transfer all of the rights, title and interest in the option and the Agreement to Vet Biotechnology Pty Ltd.

The consideration for the transfer of the Option and the Agreement was that Vet Biotechnology Pty Ltd:

- (a) Grants to D P LeMessurier and or his nominee a royalty in relation to net sales of any Vet Biotechnology product an overriding royalty of 1.8% (with net sales defined as gross sales minus returns that are actually credited). (Gross sales are the total amount on invoices billed to customers). The royalty stream also applies if and when the company converts to a public company or any other commercial entity.
- (b) Vet Biotechnology Pty Ltd agrees to issue 500,000 shares and 500,000 share options when Vet Biotechnology Pty Ltd or any of its subsidiaries list on the Australian Stock Exchange or any Stock Exchange in Australia or internationally other than the Newcastle Stock Exchange.

**P L Kerr**

On 29 March 2005 a general meeting of shareholders approved the issued of 500,000 shares and 500,000 options to P L Kerr. The shares were allotted at 40 cents each and the options were allotted at 10 cents each. The total value of this remuneration package was \$250,000 and constituted his entire remuneration package for the year ended 30 June 2005.

**Directors' Related Entity Transactions with the Company**

The board approved a consulting fee with L H Guthrie on 12 November 2003 at \$5,000 per month. This fee has been paid to her director related entity Lusid Pty Ltd from October 2003 to January 2004. A consulting fee was also paid to Lusid Pty Ltd for August 2004 and September 2004 of \$2,273 and \$1,364 respectively.

Hugo LeMessurier was appointed General Manager on 14 January 2004. He is the cousin of D P LeMessurier. H LeMessurier's salary is \$85,000 per annum. Prior to his appointment he was paid consultancy fees of \$4,567.

Total income paid or payable, or otherwise made available, to all directors of the company from the company or any related party is \$253,637, including payments to a prescribed superannuation fund.

**VET BIOTECHNOLOGY LIMITED**  
**ACN 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

**Note 17: Related Party Transactions (cont)**

**Other Related Parties**

**Transactions with the Company**

**Medvet Science Pty Ltd**

Medvet Science Pty Ltd is a shareholder in Vet Biotechnology Limited, holding 600,000 ordinary shares and 600,000 options with an exercise price of 30 cents expiring 30 June 2011.

**Licence Agreement - Antigenic Peptide Fragments of Vap A Protein and uses thereof**

On 23 December 2003 Medvet Science Pty Ltd entered into a sublicense agreement to commercialise and further research the application of Antigenic Peptide Fragments of Vap A Protein and uses thereof with Vet Biotechnology Pty Ltd.

Both parties have certain obligations to meet during the term of this licence.

Details of the licence fees, other fees, patent issuance fees and royalties payable to Medvet Science Pty Ltd as set out in the Licence Agreement are summarised below.

**(a) Licence Fees**

The company has paid to Medvet Science Pty Ltd half the licence fee of \$20,000. There is \$20,000 outstanding.

**(b) Other Fees**

- (i) Each year for the term of the licence, the company will pay Medvet Science Pty Ltd an Annual IP Fee comprising 2% (two percent) of the previous year's net sales of the product (+GST). This fee is payable to Medvet Science Pty Ltd on 23 December each year.
- (ii) Each year for the term of the licence, the company will pay Medvet Science Pty Ltd an Annual Research Fee comprising 3% (three percent) of the previous year's net sales of the Product (+GST). This fee is payable to Medvet Science Pty Ltd on 23 December each year.

**(c) Patent Issuance Fee**

**(i) Patent Issuance Fee**

When the Patent is granted in the United States of America, the company will pay Medvet Science Pty Ltd a Patent Issuance Fee of \$75,000.

**(ii) Reimbursement of Patent Fees**

The company will reimburse to Medvet Science Pty Ltd any actual and reasonable out of pocket expenses incurred by Medvet Science Pty Ltd, whether before or after 23 December 2003 in connection with the preparation, filing, prosecution and maintenance of all patent applications and grant of patents relevant to the Patent Applications, within 30 days after receipt of an itemised invoice.

**VET BIOTECHNOLOGY LIMITED**  
**ACN 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

**Note 17: Related Party Transactions (cont.)**

**(d) Royalties**

**(i) Royalties on Products Sold**

The company will pay the Royalties to Medvet Science Pty Ltd comprising 5% (five percent) on net sales of the product. Medvet Science Pty Ltd may at its absolute, sole and unfettered discretion convert its Royalty to a lower percentage in return for shares in the company.

**Licence, Sub-licence, Service, Manufacture and Supply Agreement**

On 27 April 2005 Medvet Science Pty Ltd entered into a Licence, Sub-licence, Service, Manufacture and Supply Agreement with Vet Biotechnology Limited for the provision of services being, growth of bone marrow derived mature equine stem cells to treat equine tendon and ligament injuries and other treatments as agreed and cryo-storage of equine umbilical cord or cord blood and its recovery and growth for use and future treatment of equine tendon and ligament injuries and other treatments as agreed.

**(a) Price**

- (i) \$25,000 has been paid to Medvet Science for the completion of the validation study and provision of the validation report.
- (ii) The cost of the provision of each growth of bone marrow derived mature equine stem cells to treat equine tendon and ligament injuries is \$750.
- (iii) The cost of the provision of each cyro-storage of equine umbilical cord or cord bloods and its recovery and growth of use and future treatment of equine tendon and ligament injuries is \$850.
- (iv) For each three year period of cryo-storage of cord blood a fee of \$40 will be charged.
- (v) The cost for the provision of bone marrow collection consumables for veterinarians will be \$55.
- (vi) A sample-handling price of \$350 is payable for the provision of each service.

**VetCell Bioscience Ltd (UK Registered)**

John Cook is a shareholder of Vet Biotechnology Limited as well as a director of VetCell Bioscience Ltd.

On 26 May 2004, VetCell Bioscience Ltd entered into an exclusive heads of agreement with Vet Biotechnology Ltd.

Under the heads of agreement VetCell Bioscience Ltd has agreed to grant an exclusive Licence of its mesenchymal stem cell technology and umbilical cord and blood derived stem cell collection and storage service to Vet Biotechnology Ltd.

On 10 November 2004 the licence agreement was signed by Vet Biotechnology Limited and VetCell Bioscience Ltd.

**Licence Fees**

Details of the licence fees payable to VetCell Bioscience Ltd as set out in the Licence Agreement are summarised below.

**VET BIOTECHNOLOGY LIMITED**  
**ACN 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

**Note 17: Related Party Transactions (cont.)**

The company has paid the licence fee to VetCell Bioscience Ltd in milestone payments being:

- (i) A payment of \$36,354 on 26 May 2004 for the exclusive option to undertake due diligence by 31 October 2004.
- (ii) A payment of \$73,916 on 12 November 2004 upon signing the licence agreement covering the licence, manufacture and compliance for the technology.
- (iii) A payment of \$75,131 on 2 March 2005 upon signing the licence agreement covering the licence, manufacture and compliance for the technology.

**Royalties**

Royalties are payable to VetCell Bioscience Ltd in accordance with the number of Licensed Products sold.

No. of Licensed Products sold in each year	Royalty Rate
0 - 750	10.0%
751 - 1,000	7.5%
1,001 and greater	5.0%

On 24 January 2005 the company signed a Heads of Agreement with VetCell Bioscience Limited to negotiate the terms and conditions of a Joint Venture Agreement to commercialise and distribute VetCell's proprietary equine stem cell services in the United States of America.

**Note 18: Financial Instruments**

**(a) Interest Rate Risk**

The company has no long term financial assets or liabilities upon which it earns or pays interest. Cash is held in an interest yielding cheque account where the interest rate can vary from day to day. The weighted average interest rate achieved was 4.85%.

**(b) Credit Risk Exposures**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets, excluding investments, of the company which have been recognised in the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

**Note 19: Segment Reporting**

The company will operate in one business and several geographical segments, providing veterinary biotechnological research and products for the horse breeding industry.

**Note 20: Credit Standby Arrangements**

There are no credit standby facilities in place.

**VET BIOTECHNOLOGY LIMITED**  
**ACN 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

**Note 21: Events Occurring After Balance Date**

**Backdoor Listing on the Australian Stock Exchange**

On 14 June 2005, the company received a terms sheet from Plantcorp Ltd to acquire all of the issued Vet Biotechnology Limited shares for a consideration of 3.5 Plantcorp Ltd shares for every 1 Vet Biotechnology Limited share. Plantcorp will also offer to acquire all of the issued Vet Biotechnology Limited options for a consideration of 3 Plantcorp Limited options for every 2 Vet Biotechnology Limited options.

On 15 August 2005 the company received a Bidder's Statement issued by Plantcorp Ltd. The conditional offer is for the acquisition of all of the issued Vet Biotechnology Limited shares for a consideration of 7 Plantcorp Ltd shares for every 2 Vet Biotechnology Limited shares and all the issued Vet Biotechnology Options for a consideration of 3 Plantcorp Ltd options for every 2 Vet Biotechnology Limited options.

The offer is conditional on Plantcorp Ltd shareholders approving a number of resolutions including a consolidation of Plantcorp ordinary and converting preference shares and Plantcorp changing its name to Vet Biotechnology Ltd.

The offer is also conditional upon Plantcorp Ltd acquiring at least 90% of the Vet Biotechnology shares, becoming able to proceed to compulsory acquisition of the remainder shares under the Corporations Act 2001, as well as acquiring at least 50% of the Vet Biotechnology Limited options, Plantcorp raising at least \$3.25 million in capital raising and permission being granted by the Australian Stock Exchange for admission to quotation of Plantcorp Ltd's securities by no later than seven days after the end of the Offer Period.

The takeover will enable a backdoor listing on the Australian Stock Exchange.

Legal fees in relation to this matter and others is estimated to be around \$60,000.

**Licence, Distribution and Supply Agreement for Equine Umbilical Stem Cell Storage Technology**

On 10 August 2005, Vet Biotechnology signed an agreement for an exclusive world wide Licence, Distribution and Supply Agreement with VetCell Bioscience Ltd (UK) to market their equine umbilical cord stem cell storage technology subject to payment of a royalty of 5% of net sales.

Vet Biotechnology Limited will market and sell the equine umbilical cord stem cell storage service to major international customers involved in the breeding of performance horses.

Under the terms of the licence Vet Biotechnology Limited may sub-licence the manufacturing of the services to international laboratories approved by VetCell Bioscience Ltd. Vet Bioscience Ltd is responsible for obtaining any approvals, authorisations and accreditations necessary or desirable to enable Vet Biotechnology Ltd to market the stem cell storage technology outside Australia and New Zealand. Vet Biotechnology Ltd must meet minimum sales volumes over a three year period.

**Equine Gastric Ulcer Syndrome in Horses - Sub-Licence**

On 11 August 2005, the company signed an exclusive sub-licence agreement with Nidor Pty Ltd securing the worldwide right to commercialise the equine applications of a breath test technology for the diagnosis of Equine Gastric Ulcer Syndrome (EGUS) in horses.

Under the sub-licence Nidor Pty Ltd has granted Vet Biotechnology Limited an exclusive right to research, develop and commercialise the equine applications of the technology.

The term of the agreement continues:

- where there is a patent or patent application for the technology related to the products, on a country by country bases until:
  - the expiration of the last such patent;
  - the abandonment or invalidation of all Patent Rights; or
  - the early termination of the Sub-Licence by operation of the provisions to the agreement.



**VET BIOTECHNOLOGY LIMITED**  
**ACN 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

**Note 21: Events Occurring After Balance Date (cont)**

- where there are no Patent Rights for the technology related to the products, on a country by country basis for a period of 15 years from the date of execution of the agreement.

Royalties are payable to Nidor Pty Ltd in each successive 12 month period ending 30 June each year the higher amount of 4% of Net Sales in the 12 month period or \$5,000 and a pass-through fee of 25% of fees and royalties collected from under-licensees in the relevant 12 month period.

Vet Biotechnology will contribute 15% towards any costs incurred by Nidor Pty Ltd in respect of patent costs incurred to date, PCT patents and corresponding patents in other countries (on a country by country basis).

**Equine Gastric Ulcer Syndrome in Horses - Research and Development**

On 11 August 2005, the company signed a Research and Development Agreement, with Veterinary Research Synergies Pty Ltd, to conduct clinical trials and develop an easy to use, non-invasive diagnostic for the detection and management of Equine Gastric Ulcer Syndrome (EGUS). This agreement supercedes the previous Heads of Agreement between the companies entered into on 23 December 2004.

Under the terms of the agreement, Veterinary Research Synergies Pty Ltd will carry out pre-clinical and clinical studies against milestones over a period of up to 18 months. The commitment to complete phase 1 of the research is \$42,825 and if the trials proceed to completion, phase II, a further \$136,800 is payable.

**Note 22: Contingent Liabilities**

Acquisition of Invention and Technology - *Rhodococcus equi* ELISA Diagnostic Assay:

	Nature	Details
(a) D P LeMessurier	Shares and options to be issued and royalty payable as consideration for assignment of rights under an option agreement	Note 17

Acquisition of Invention and Technology - Antigenic Peptide Fragments of Vap A Protein and uses thereof:

(a) Medvet Science Pty Ltd	Licence, patent, royalties and other fees payable	Note 17
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Acquisition of Technology - Mesenchymal stem cell technology and umbilical cord and blood derived stem cell collection and storage services:

(a) VetCell Biosciences Ltd	Royalties payable in accordance with the number of licensed products sold	Note 17
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Royalty Payable to Director

(a) D P LeMessurier	Royalty payable as consideration for assignment of rights under an option agreement	Note 17
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**VET BIOTECHNOLOGY LIMITED**  
**ACN 105 577 017**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

**Note 23: Company Details**

The registered office of the company is:

253 Sturt Street  
ADELAIDE SA 5000

The principal place of business is:

Suite 7, 114 Rundle Street  
KENT TOWN SA 5067

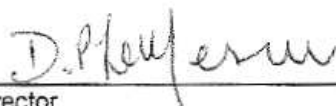


**VET BIOTECHNOLOGY LIMITED**  
**ACN 105 577 017**  
**DIRECTORS' DECLARATION**

The directors of the company declare that:

- 1 the financial statements and notes, as set out on pages 14 to 35, 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 2005 and of the performance for the year ended on that date of the company;
- 2 the Chief Executive Officer and Chief Finance Officer have each 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 directors' 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.



Director  
Douglas Peter LeMessurier



Director  
Lusia Halina Guthrie

Dated at Adelaide this 29<sup>th</sup> day of August 2005

VET BIOTECHNOLOGY LIMITED  
ACN 105 577 017

**INDEPENDENT AUDIT REPORT**

To the members of Vet Biotechnology Limited:

**Scope**

*The financial report and directors' responsibility*

The financial report comprises the statement of financial position as at 30 June 2005, and the statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the year ended 30 June 2005 for Vet Biotechnology Limited ("the company") as set out on pages 14 to 35.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error, for the accounting policies and for the accounting estimates within the financial report.

*Audit approach*

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance that the financial report is free of material misstatement. The nature of an audit is influenced by several factors including the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of audit evidence which may be persuasive rather than conclusive. Accordingly, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether, in all material respects, the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When determining the nature and extent of our procedures we considered the effectiveness of management's internal controls over financial reporting. Our audit was not designed to provide assurance in relation to internal controls.

**Independence**

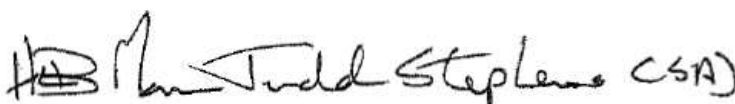
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

The Directors Report attached to the financial statements includes a copy of the Independence Declaration dated 29 August 2005 given to the Directors by us for the audit.

**Audit opinion**

In our opinion, the financial report of Vet Biotechnology Limited is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



HLB MANN JUDD STEPHENS (S.A.)  
CHARTERED ACCOUNTANTS  
Adelaide, 29 August 2005



PHIL PLUMMER  
PARTNER

Vet Biotechnology Limited  
ACN 105 577 017

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ADDITIONAL INFORMATION FOR  
LISTED PUBLIC COMPANIES

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# Vet Biotechnology Limited

ACN 105 577 017

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Newcastle Stock Exchange in respect of listed public companies only.

### 1. Shareholding

#### (a) Distribution of Shareholders

Category (size of holding)	Number of shareholders
1 – 1,000	0
1,001 – 5,000	2
5,001 – 10,000	13
10,000 – 100,000	35
100,001 – and over	8
	<hr/> 58

#### (b) Distribution of Optionholders

Category (size of holding)	Number of shareholders
1 – 1,000	1
1,001 – 5,000	2
5,001 – 10,000	13
10,000 – 100,000	24
100,001 – and over	5
	<hr/> 45

(c) The number of shareholdings held in less than marketable parcels is zero.

(d) The names of the substantial shareholders listed in the company's register as at 31 August 2005 are:

Name	Number of Shares Held	% Held of Issued Capital
Mr D P LeMessurier	3,700,000	31.63
Medvet Science Pty Ltd	600,000	5.13
	<hr/> 4,300,000	<hr/> 36.76

#### (e) Voting Rights

The voting rights attached to each class of security are as follows:

##### *Ordinary shares*

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

##### *Options expiring 30 June 2011 with an exercise price of 30 cents*

- These options have no voting rights.

# Vet Biotechnology Limited

ACN 105 577 017

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

(f) 20 Largest Shareholders – Ordinary Shares as at 31 August 2005

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Capital
1 Palpet Pty Ltd	1,000,000	8.55
2 Mr D P LeMessurier	950,000	8.12
3 First Avenue Investments Pty Ltd	900,000	7.69
4 Medvet Science Pty Ltd	600,000	5.13
5 Emu Cards Pty Ltd	550,000	4.70
6 Mr N G Mills	525,000	4.49
7 Mr R G Pank	503,000	4.30
8 Brentwood Pty Ltd	500,000	4.27
9 Mr H B Guthrie & Mrs L H Guthrie	500,000	4.27
10 Mr P L Kerr	500,000	4.27
11 Kytron Pty Ltd	500,000	4.27
12 Mr H F LeMessurier	500,000	4.27
13 Mrs D M O Evans	434,000	3.71
14 Dr A J Porter & Mr N L Wallace	400,000	3.42
15 Mr J P M Cook	352,427	3.01
16 Mrs J M LeMessurier	350,000	2.99
17 Alcardo Investments Ltd	200,000	1.71
18 Mrs W Cook	180,000	1.54
19 H H Sutton Nominees Pty Ltd	172,000	1.47
20 Dronkay Pty Ltd	170,000	1.45
	9,786,427	83.63

# Vet Biotechnology Limited

ACN 105 577 017

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

(g) 20 Largest Optionholders – Options as at 31 August 2005

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Options
1 Palpet Pty Ltd	1,000,000	9.78
2 Mr D P LeMessurier	950,000	9.29
3 First Avenue Investments Pty Ltd	900,000	8.80
4 Medvet Science Pty Ltd	600,000	5.87
5 Brentwood Pty Ltd	500,000	4.89
6 Mr H B Guthrie & Mrs L H Guthrie	500,000	4.89
7 Mr P L Kerr	500,000	4.89
8 Kytron Pty Ltd	500,000	4.89
9 Mr H F LeMessurier	500,000	4.89
10 Mr N G Mills	447,000	4.37
11 Dr A J Porter & Mr N L Wallace	400,000	3.92
12 Mr J P M Cook	352,427	3.45
13 Mrs J M LeMessurier	350,000	3.42
14 Mrs D M O Evans	234,000	2.29
15 Alcardo Investments Ltd	200,000	1.96
16 Mrs W Cook	180,000	1.76
17 Dronkay Pty Ltd	170,000	1.66
18 H H Sutton Nominees Pty Ltd	170,000	1.66
19 Emu Cards Pty Ltd	130,000	1.27
20 Mr R G Pank	103,000	1.01
	8,686,427	84.96

2. The name of the company secretary is Mr Paul J Mansfield.
3. The address of the registered office is 253 Sturt Street, Adelaide SA 5000, telephone (08) 8231 5877.  
  
The address of the principal place of business is Suite 7, 114 Rundle Street, Kent Town SA 5067, telephone (08) 8363 1159
4. Register of securities is held at ASX Perpetual Registrars Limited, Level 22, 300 Queen Street, Brisbane Qld 3000.