

FORM: Half Year report

Name of issuer

VET BIOTECHNOLOGY LTD

ACN or ARBN

105 577 017

Half yearly
(tick)

√

Preliminary
final (tick)

Financial year ended ('Current
period')

31/12/2007

For announcement to the market

Extracts from this statement for announcement to the market (see note 1).

				\$A
Revenue (item 1.1)	up	128%	to	89,042
(Loss) for the period (item 1.9)	down	9%	to	(277,329)
(Loss) for the period attributable to members of the parent (item 1.11)	down	9%	to	(277,329)
Dividends				
Franking rate applicable:		Current period N/A	Previous corresponding period N/A	
Final dividend (preliminary final report only)(item 10.13-10.14)		N/A	N/A	
Amount per security				
Franked amount per security				
Interim dividend (Half yearly report only) (item 10.11 – 10.12)		N/A	N/A	
Amount per security				
Franked amount per security				
Short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				
N/A				

Comparison of half-year profits

(Preliminary final statement only)

		Current period - \$A	Previous corresponding period - \$A
2.1	Consolidated (loss) after tax attributable to members reported for the 1st half year (<i>item 1.11</i> in the half yearly statement)	(277,329)	(304,464)
2.2	Consolidated (loss) after tax attributable to members for the 2nd half year	N/A	N/A

Ratios

		Current period	Previous corresponding period
	(Loss) before tax / revenue	(311%)	(781%)
8.1	Consolidated (loss) before tax (<i>item 1.5</i>) as a percentage of revenue (<i>item 1.1</i>)		
	(Loss) after tax / equity interests		
8.2	Consolidated (loss) after tax attributable to members (<i>item 1.11</i>) as a percentage of equity (similarly attributable) at the end of the period (<i>item 3.37</i>)	(113%)	(68%)

NTA Backing

(see note 7)

20.1		Current period	Previous corresponding period
	Net tangible asset backing per ordinary security	(1.62) cents/share	(5.58)cents/share

Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

Identify other standards used

N/A

2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.
3. This statement does give a true and fair view of the matters disclosed (see note 2).
4. This statement is based on financial statements to which one of the following applies:

☒ The financial statements have been audited.

☐ The financial statements have been subject to review by a registered auditor (or overseas equivalent).

☐ The financial statements are in the process of being audited or subject to review.

☐ The financial statements have *not* yet been audited or reviewed.

5. The *issuer* does not have a formally constituted audit committee.

Sign here: P. LeMessurier
(Director)

Date: 10.3.08

Print name: **Peter LeMessurier**

VET BIOTECHNOLOGY LIMITED

ACN 105 577 017

INTERIM FINANCIAL REPORT
For the period ended 31st December 2007

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Corporate Directory

Directors

Douglas Peter LeMessurier
Ian David Brown
Michael Derin

Auditors

Duncan Dovico Chartered Accountants
Level 4
5-9 Harbourview Crescent
Milsons Point NSW 2061
AUSTRALIA

Secretary

Michael Derin

Registered Office

Level 12
280 George Street
Sydney NSW 2000
AUSTRALIA

DIRECTORS' REPORT

Your directors submit the interim financial report for the company for the half-year ended 31st December 2007. Directors were in office for this entire period unless otherwise stated.

Directors

The names of directors who held office during or since the end of the half-year are:

Mr Douglas Peter LeMessurier

Mr Michael Derin

Mr Alan Beasley – resigned 16th February 2008

Mr Ian David Brown – appointed 16th February 2008

Review of Operations

Vet Biotechnology Ltd continues to generate growing revenues from the Stem Cell Therapy for equine tendon and ligament injury with orders received for the services from veterinarians in NSW, QLD, VIC, SA and WA. We have achieved sales of \$89,042 in the 1 July 2007 to 31 December 2007 period, as compared to sales of \$39,003 in the 1 July 2006 to 31 December 2006 period (the previous matching period). Furthermore we are pleased to announce that our first two Stem Cell Therapy sales have taken place in New Zealand. This is an exciting development in Vet Biotechnology's history and marks the beginning of its overseas expansion.

The Board is pleased to announce that we have now launched our Stem Cell Service (Stembank) for the collection of umbilical cords from foals. Over 30 orders were processed during the 2007 stud season and we look forward to increasing this during the 2008 stud season. Vet Biotechnology Ltd now has over 20 significant commercial properties with staff trained in the collection of equine umbilical cords.

The Equine Influenza outbreak has impacted the horse racing industry, more significantly in NSW and QLD. This has had a flow on effect to Vet Biotechnology Ltd and the sale of our Stem Cell Service. Under the circumstances where the company's biggest source of business (NSW) has been non-operational, Vet Biotechnology Ltd has done well to establish Stembank and meet its budget on the established mature horse service.

The company continues to undertake research into the equine breath test technology to develop a non-invasive method for the diagnosis of Equine Gastric Ulcer Syndrome (EGUS) in horses. Phase I clinical testing has been completed and validated by an independent expert. The costs of proceeding to Phase II trials are currently being considered.

The company is also considering whether to undertake research into Rattles Diagnostic Test and Vaccine and other opportunities to build and diversify the company's range of products and services.

After Balance Date Events

- On 17th January 2008, \$42,000 of options was converted to shares, being 140,000 options at an exercise price of \$0.30 per share.
- On 4th February 2008, \$18,000 of options was converted to shares, being 60,000 options at an exercise price of \$0.30 per share.
- On 12th February 2008, Alan Preston Beasley tendered his resignation as Company Director, effective 14th February 2008. The company accepted his resignation and appointed Ian David Brown as Company Director on 14th February 2007.

Going Concern

Notwithstanding the deficiency of net assets at 31st December 2007 amounting to \$239,908 the financial report has been prepared on an ongoing concern basis.

This basis has been adopted because:

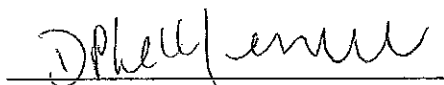
- \$42,000 of options have been converted to equity in January 2008 and further options will be converted to equity along with additional capital raising in the coming months.
- Confirmation has been received from the lender that the amount of the loan recorded as a current liability of \$423,131 will not be called upon for a period, at least until June 2008.

It is the belief of the Directors that the company can meet its obligations when they fall due.

Auditor's Declaration

The auditor's independence declaration under section 307 C of the Corporations Act 2001 is set out on page 5 for the half-year ended 31st December 2007.

This report is signed in accordance with a resolution of the Board of Directors.



Chairman

Mr Douglas Peter LeMessurier

Dated this 10 day of March 2008



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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2007 there have been:

- I. no contraventions of the auditor independence requirements of the Act in relation to the audit or review;
and
- II. no contraventions of any applicable code of professional conduct in relation to the audit or review

DUNCAN DOVICO
Chartered Accountants

ROSEMARY MEGALE
Partner

Dated: 10TH MARCH 2008

Place: Sydney

**CONDENSED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	Notes	31/12/2007 \$	31/12/2006 \$
Revenue	2	89,042	39,003
Other expenses from ordinary activities	2	(366,371)	(343,467)
Loss before income tax		(277,329)	(304,464)
Income tax expense		-	-
Loss after income tax expense		(277,329)	(304,464)
Loss attributable to members		<u>(277,329)</u>	<u>(304,464)</u>
Basic earnings per share (cents per share)		<u>(0.95)</u>	<u>(3.04)</u>
Diluted earnings per share (cents per share)		<u>(0.95)</u>	<u>(3.04)</u>

The accompanying notes shall be read in conjunction with these financial statements

CONDENSED BALANCE SHEET**AS AT 31 DECEMBER 2007**

	Note	31/12/2007 \$	30/06/2007 \$
CURRENT ASSETS			
Cash and cash equivalents		61,176	287,450
Trade and other receivables		15,133	42,736
Other current assets		49,064	21,651
TOTAL CURRENT ASSETS		<u>125,373</u>	<u>351,837</u>
NON CURRENT ASSETS			
Intangible Assets		232,731	238,694
Plant & Equipment		2,480	3,952
TOTAL NON-CURRENT ASSETS		<u>235,211</u>	<u>242,646</u>
TOTAL ASSETS		<u>360,584</u>	<u>594,483</u>
CURRENT LIABILITIES			
Trade and other payables		182,431	166,725
Short term borrowings		423,137	444,134
TOTAL CURRENT LIABILITIES		<u>605,568</u>	<u>610,859</u>
TOTAL LIABILITIES		<u>605,568</u>	<u>610,859</u>
NET ASSETS		<u>(244,984)</u>	<u>(16,376)</u>
EQUITY			
Issued Capital	3	1,809,862	1,762,494
Option Reserve		134,728	133,375
Retained Earnings/(Accumulated Losses)		<u>(2,189,574)</u>	<u>(1,912,245)</u>
TOTAL EQUITY		<u>(244,984)</u>	<u>(16,376)</u>

The accompanying notes shall be read in conjunction with these financial statements

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

	Share Capital	Option Reserve	Retained Losses	Total
Balance at 1 July 2006	1,151,106	100,000	(1,393,838)	(142,732)
Shares issued during the period	655,703	-	-	655,703
Option Reserve Adjustments	-	33,375	-	33,375
Capital raising costs	(44,315)	-	-	(44,315)
Loss attributable to members	-	-	(518,407)	(518,407)
Balance at 30 June 2007	1,762,494	133,375	(1,912,245)	(16,376)
Balance at 1 July 2007	1,762,494	133,375	(1,912,245)	(16,376)
Shares issued during the period	47,368	-	-	47,368
Option Reserve Adjustments	-	1,353	-	1,353
Loss attributable to members	-	-	(277,329)	(277,329)
Balance at 31 December 2007	1,809,862	134,728	(2,189,574)	(244,984)

The accompanying notes shall be read in conjunction with these financial statements

CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Note	31/12/2007	30/06/2007
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		100,607	112,151
Payments to suppliers		(321,150)	(517,639)
Interest Received		2,879	7,560
Net cash used in operating activities		(217,664)	(397,928)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for Plant & Equipment		-	(2,132)
Payments for Patents & Trademarks		(8,610)	(1,574)
Net cash provided by (used in) investing activities		(8,610)	(3,706)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		-	345,903
Proceeds from borrowings		-	35,000
Capital Raising Costs			(73)
Net cash provided by financing activities		-	380,830
Net increase in cash held		(226,274)	(20,804)
Cash at beginning of period		287,450	308,254
Cash at the end of period		61,176	287,450

The accompanying notes shall be read in conjunction with these financial statements

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDING 31st DECEMBER 2007**

Note 1: BASIS OF PREPARATION

The half-year condensed financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2007 and any public announcements made by Vet Biotechnology Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2007 financial report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

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

Going Concern

Notwithstanding the deficiency of net assets at 31st December 2007 amounting to \$239,908 the financial report has been prepared on an ongoing concern basis.

This basis has been adopted because:

- \$42,000 of options have been converted to equity in January 2008 and further options will be converted to equity along with additional capital raising in the coming months.
- Confirmation has been received from the lender that the amount of the loan recorded as a current liability of \$423,131 will not be called upon for a period, at least until June 2008.

It is the belief of the Directors that the company can meet its obligations when they fall due.

Note 2: LOSS FROM ORDINARY ACTIVITIES

The following revenue and expense items are relevant in explaining the financial performance for the interim period 1st July 2007 to 31st Dec 2007.

	31/12/2007	31/12/2006
Revenue		
Stem Cell Services	78,130	33,055
Freight Received	3,033	1,366
Interest Received	2,879	4,582
Government Grant	5,000	-
Total Revenue	89,042	39,003

Note 2: LOSS FROM ORDINARY ACTIVITIES continued

Accounting & administration	41,383	30,312
Consulting Fees	88,965	10,880
Legal Fees	2,915	5,250
Patent Fees	2,296	5,300
Salaries and Wages	5,213	75,918
Target Statement Expenses **	-	2,798
Depreciation on Plant and Equipment	1,472	1,782
Amortisation	6,977	7,074
Other Expenses	217,150	204,153
Total Expenses	<u>366,371</u>	<u>343,467</u>

** Target statement Expenses include legal and other costs relating to the preparation of the target statement in response to the bidder's statement received from Plantcorp Ltd

Note 3: CONTRIBUTED EQUITY

	No of Shares	\$
Opening Balance 1 July 2007	29,093,188	1,986,717
Exercise of Options (Funds received prior to 30/6/06)	-	-
Issue of Shares	451,118	47,368
Exercise of Options	-	-
	<u>29,544,306</u>	<u>2,034,085</u>
Capital Raising Costs		
Balance brought forward 1 July 2007	(224,223)	-
Incurred to 31 December 2007	-	(224,223)
		<u><u>1,809,862</u></u>
Closing Balance 31 December 2007		

Note 4: OPTION RESERVE

Option reserve of valuation of directors share options

The option reserve records items recognised as expense on valuation of Directors share based payments. The amount recognised in the option reserve relates to the issue of 451,118 options to Diana Evans. The options were issued with an exercise price of 30 cents and can be exercised at any time until 30th June 2010.

Note 5: DIVIDENDS

There have been no dividends declared or paid during the period of this report.

Note 6: CONTINGENT LIABILITIES

There have been no changes in contingent liabilities since the last annual reporting date.

Note 7: EVENTS OCCURRING SUBSEQUENT TO REPORTING DATE

- On 17th January 2008, \$42,000 of options was converted to shares, being 140,000 options at an exercise price of \$0.30 per share.
- On 4th February 2008, \$18,000 of options was converted to shares, being 60,000 options at an exercise price of \$0.30 per share.
- On 12th February 2008, Alan Preston Beasley tendered his resignation as Company Director, effective 14th February 2008. The company accepted his resignation and appointed Ian David Brown as Company Director on 14th February 2007.

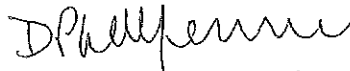
DIRECTORS DECLARATION

In accordance with the resolution of the Vet Biotechnology Limited, I state that:

In the opinion of the Directors:

- a. The financial statements and notes of the company, as set out in the attached financial report, are in accordance with the Corporations Act 2001 and:
 - comply with Accounting Standards and the Corporations Regulations 2001; and
 - give a true and fair view of the financial position as at 31st December 2007 and of the performance for the period then ended on that date; and
- b. 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.



Douglas Peter LeMessurier
Chairman

Dated March 2007



VET BIOTECHNOLOGY LIMITED
ACN: 105 577 017

**Independent Auditor's review report
to the members of Vet Biotechnology Limited**

Report on the Half-Year Financial Report

We have reviewed the accompanying half – year financial report of Vet Biotechnology Limited which comprised the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporation Regulations 2001. As the auditor of Vet Biotechnology Limited, ASRE 2410 requires that we comply with the ethical requirement relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matter that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Vet Biotechnology Limited, would be the same terms if provided to the directors as at the date of this auditor's review report.

CHARTERED ACCOUNTANTS

LEVEL 4, 5-9 HARBOURVIEW CRESCENT, MILSONS POINT NSW 2061 • PO BOX 446, MILSONS POINT NSW 1565

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**Independent Auditor's review report
to the members of Vet Biotechnology Limited (Cont'd)**

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Vet Biotechnology Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair value of the consolidated entity's financial position as at 31 December 2007 and of its performance for the year ended on that date; and
- (b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

DUNCAN DOVICO
Chartered Accountants

ROSEMARY MEGALE
Partner

Sydney, 10 MARCH, 2008.